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

1 Introduction

1.1 The Authorised Limit is the expected maximum debt needed to meet planned service requirements, with some headroom for unexpected developments such as unusual cash movements.

1.2 For the purposes of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Prudential Code), the limit is analysed between borrowing and other long-term liabilities, such as finance leases.

1.3 The Authorised Limit 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 these payments.

2 Authorised Limits for External Debt for the GLA Group

2.1 The Mayor is asked to approve the Authorised Limits set out in the tables below for the GLA and its functional bodies. Figures in the tables may not exactly sum due to rounding.

GLA (£m)	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27
Borrowing	6,500	6,500	6,500
Other Long-Term Liabilities	-	-	-
Total	**6,500**	**6,500**	**6,500**

MOPAC (£m)	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27
Borrowing	1,261	1,392	1,485
Other Long-Term Liabilities	42	33	23
Total	**1,303**	**1,424**	**1,508**

LFC (£m)	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27
Borrowing	175	175	175
Other Long-Term Liabilities	70	70	70
Total	**245**	**245**	**245**

***TfL Corporation (£m)**	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27

Borrowing	14,654	14,636	15,132
Other Long-Term Liabilities	1,768	1,714	1,656
Total	**16,422**	**16,350**	**16,788**

***TfL Group (£m)**	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27
Borrowing	14,657	14,712	15,414
Other Long-Term Liabilities	3,649	3,463	3,357
Total	**18,306**	**18,175**	**18,771**

**TfL Corporation figures are included in the TfL Group figures.*

LLDC (£m)	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27
Borrowing	550	550	550
Other Long-Term Liabilities	-	-	-
Total	**550**	**550**	**550**

OPDC (£m)	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27
Borrowing	100	150	150
Other Long-Term Liabilities	-	-	-
Total	**100**	**150**	**150**

***GLA Group (£m)**	Proposed 2024-25	Proposed 2025-26	Proposed 2026-27
Borrowing	23,240	23,403	23,992
Other Long-Term Liabilities	1,880	1,817	1,749
Total	**25,120**	**25,219**	**25,741**

**TfL Corporation figures are included in the GLA Group figures.*

Note:

MD3231 authorises the GLA to borrow on behalf of other members of the GLA Group; in such instances, the GLA's Authorised Limit may be deemed to increase by the amount of such a transaction provided that the overall levels of external borrowing do not exceed the GLA Group limits set out in the table above.

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

1 Background

1.1 The Prudential Code for Capital Finance in Local Authorities (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 treasury management decisions are taken in accordance with good professional practice.

1.2 The Prudential Code has also 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 GLA is required to set and monitor a number of Prudential Indicators, including Treasury Management 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 GLA's capital spending plans, revenue forecasts and treasury management strategy. However, if initial estimates indicate outcomes that would not be affordable or prudent, then plans for capital and/or revenue are reconsidered.

1.5 Prudential Indicators, including Treasury Management Indicators and any subsequent changes to these indicators, must be approved by the Mayor.

2 Capital Expenditure Prudential Indicators

Capital Expenditure

2.1 Capital expenditure under the approved capital spending plan is a key driver of treasury management activity.

2.2 All capital expenditure is included, not just that financed through borrowing.

Capital Expenditure (£m)	Forecast Outturn 2023-24	Budget 2024-25	Plan 2025-26	Plan 2026-27
GLA	1,082	1,467	1,555	1,545

Capital Financing Requirement (CFR) – the GLA's Borrowing Need

2.3 The Capital Financing Requirement (CFR) is the measure of the GLA's cumulative unfunded capital expenditure, i.e. its underlying borrowing need. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.

2.4 Any capital expenditure which has not immediately been charged to the revenue account or matched to capital grants, receipts, or reserves, will increase the CFR. The annual Minimum Revenue Provision (MRP) acts to spread the revenue impact of this over the aggregate useful life of the assets in question.

2.5 The table below sets out the forecast CFR analysed by the components described in the GLA's Treasury Management Strategy Statement (TMSS).

Capital Financing Requirement (CFR) (£m)	Forecast Outturn 2023-24	Budget 2024-25	Plan 2025-26	Plan 2026-27
BRS (Elizabeth Line)	3,841	3,587	3,293	3,019
NLE (Northern Line Extension)	861	861	831	767
HFTs (Housing Financial Transactions)	81	81	57	27
GFF (Green Finance Fund)	100	190	203	217
GLA Core	660	658	636	618
GLA Total	**5,544**	**5,378**	**5,021**	**4,648**

3 External Debt Prudential Indicators

Authorised Limit for External Debt

3.1 The Authorised Limit for the GLA is set out at Appendix 1.

Operational Boundary for External Debt

3.2 The Operational Boundary is based on the same estimates as the Authorised Limit. However, it reflects an estimate of a prudent level of borrowing required to meet capital expenditure and maintain sufficient liquidity, taking account of expected levels of cash that can prudently be used in lieu of external borrowing.

3.3 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 not significant if the Operational Boundary is exceeded 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.

Operational Boundary for External Debt (£m)	Budget 2024-25	Plan 2025-26	Plan 2026-27
Borrowing	6,000	6,000	6,000
Other Long-Term Liabilities	-	-	-
Total	**6,000**	**6,000**	**6,000**

Gross Debt and Capital Financing Requirement (CFR)

3.4 For the purposes of the Prudential Code, gross debt refers to the sum of borrowing and other long-term liabilities – in the GLA's case, this is wholly borrowing.

3.5 This indicator seeks to ensure that debt 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 and next two financial years.

Gross Debt and CFR (£m)	Forecast Outturn 2023-24		Budget 2024-25		Plan 2025-26		Plan 2026-27	
	Gross Debt at 31 March	CFR	Gross Debt at 31 March	CFR	Gross Debt at 31 March	CFR	Gross Debt at 31 March	CFR
BRS	4,066	3,841	3,797	3,587	3,503	3,293	3,229	3,019
NLE	945	861	945	861	915	831	855	767
HFTs	99	81	99	81	99	57	99	27
GFF	-	100	190	190	190	203	190	217
GLA Core	89	660	52	658	44	636	36	618
GLA Total	**5,199**	**5,544**	**5,083**	**5,378**	**4,751**	**5,021**	**4,409**	**4,648**

3.6 The BRS and NLE accounts historically experienced very large cash flows relative to the GLA's core spending. As a measure of prudence, the actual repayment of borrowing was programmed to lag behind recognition of revenues (and subsequent application of MRP) by up to 6 months, to ensure that cash related to those revenues was received in full before payments became due, and to create a cash buffer on those accounts to cover interest costs. As a result of this, at any given reporting date, gross debt is expected to exceed the CFR on those accounts by the next 6 months planned repayments together with any cumulative outperformance of revenues against original assumptions.

4 Affordability Prudential Indicators

Financing Costs to Net Revenue Stream

4.1 This indicator compares the total net interest payments on external debt plus any MRP to the core taxation revenues of the GLA including any non-specific grant income. The GLA's borrowing costs are largely fixed, reflecting a preference for budgetary certainty around the ongoing cost of major projects, however investment income, reflecting the predominantly short-term treasury investments, tracks short-term interest rates. Short-term rates have increased significantly in absolute terms, which is favourable to the net interest payable by the GLA over the period below.

Financing Costs to Net Revenue Stream (%)	Forecast Outturn 2023-24	Budget 2024-25	Plan 2025-26	Plan 2026-27
GLA	5.2%	5.3%	7.8%	7.9%

4.2 These ratios nevertheless indicate the significance of debt service to the GLA's revenue cost base and the need for prudent management of the relevant risks.

Net Income from Commercial and Service Investments to Net Revenue Stream

4.3 This indicator compares the net income from commercial and service investments to the overall revenue spending of the GLA.

Net Income from Commercial and Service Investments to Net Revenue Stream (%)	Forecast Outturn 2023-24	Budget 2024-25	Plan 2025-26	Plan 2026-27
GLA	0.9%	0.8%	0.8%	0.8%

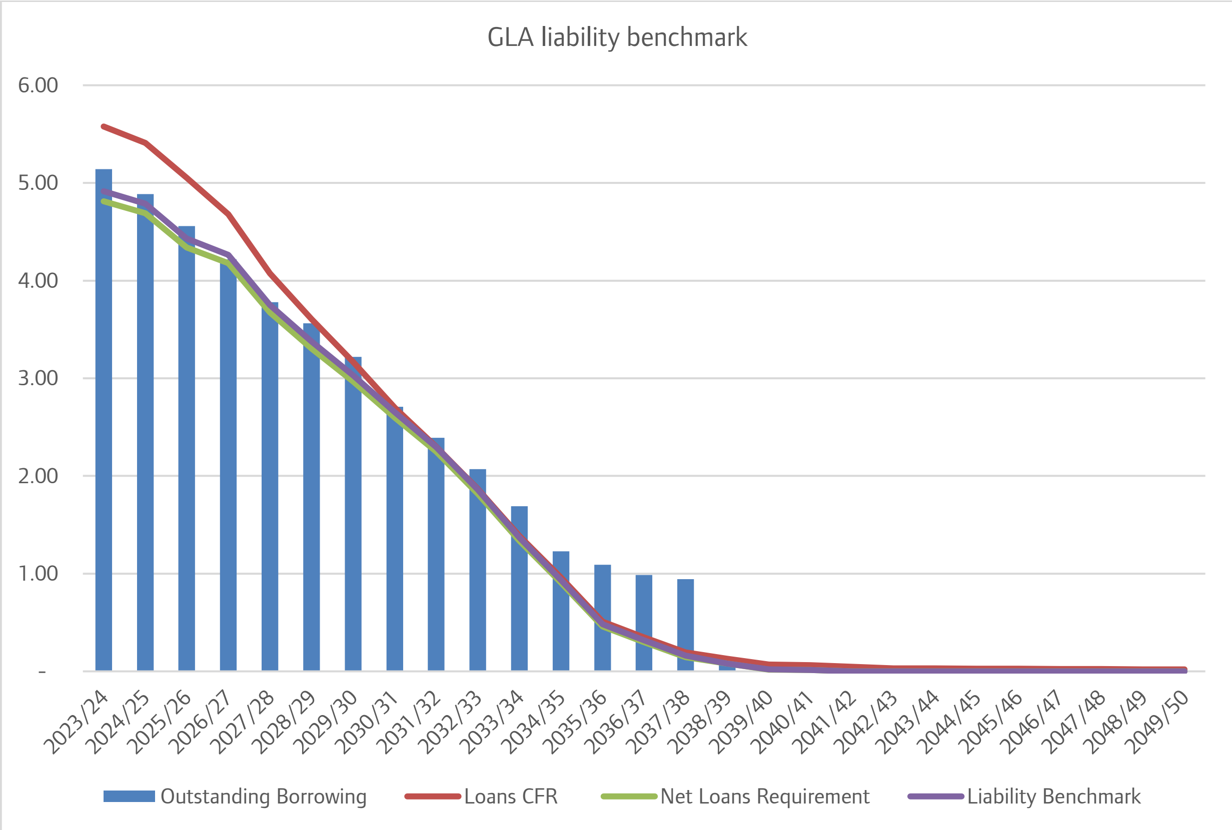
4.4 These ratios show the limited financial exposure of the GLA to service investments income and that the GLA does not materially depend on such income for its activities.

5 Treasury Management Prudential Indicators

Liability Benchmark

5.1 This indicator sets out how the GLA's CFR is expected to amortise over time as the MRP and planned application of capital receipts take effect, and, taking account of prudent levels of using existing cash in lieu of external borrowing, derives a net loans requirement as a benchmark to compare with existing debt.

5.2 The chart shows the GLA's outstanding borrowing is in the main well matched to benchmark, with the benchmark falling below outstanding debt in the later 2030s (i.e. there is some risk that the GLA will have more borrowing than it needs over this period). This is due to expected BRS account revenues exceeding assumptions at the time the borrowing was taken out. However, there are risks that these expectations may not be met and/or other factors may affect how quickly the CFR and hence benchmark decline, so the overall level of debt remains prudent.



Limits for Maturity Structure of Borrowing

5.3 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 are set.

Limits for Maturity Structure of Borrowing for 2024-25 (%)	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	50%	20%
10 years and above	40%	10%

Limits for Principal Sums Invested for Periods Longer than 365 Days

5.4 This indicator seeks to contain the risk inherent in the maturity structure of the GLA's investment portfolio, since investing too much for too long could:

- adversely impact on the GLA'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.

5.5 Under this indicator the GLA is therefore required to set an upper limit for each financial year period for the maturing of its long-term investments.

Maximum Principal Sums Invested for Longer Than 365 Days (£m)	Budget 2024-25	Plan 2025-26	Plan 2026-27
Mayor's Land Fund	80	80	80
Treasury – Strategic Investments	Up to 15% of rolling 1-year cash balance forecast		