

**GREATER LONDON AUTHORITY**  
**Treasury Management Mid-Year Update**  
**2025-26**

## **1 Executive Summary**

- 1.1 CIPFA defines Treasury management as the management of the organisation's borrowing, investments and cash flows, including 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.
- 1.2 The report discusses the GLA's borrowing of £4.871bn and investments of £2.769bn (as at 30 September 2025). The GLA invests using its wholly owned subsidiary, London Treasury Limited, which is authorised and regulated by the Financial Conduct Authority. The report details how that investment is structured and returns achieved.
- 1.3 During the first half year of 2025-26, the GLA complied with its legislative and regulatory requirements (CIPFA Codes of Practice). The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year are presented in the report.
- 1.4 The Chief Finance Officer confirms that borrowing was only undertaken for capital purposes and the statutory borrowing limit (known as the authorised limit) was not breached.
- 1.5 The report covers the following areas:
  - An introduction
  - Economic update
  - Interest rate forecasts for both the debt and investment portfolios
  - Capital and prudential indicators
  - Debt and investment portfolios

## **2 Introduction**

- 2.1 London Treasury Limited (LTL) has produced this report to meet the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services, the CIPFA Prudential Code for Capital Finance in Local Authorities, the Ministry of Housing, Communities & Local Government (MHCLG) guidance on Local Government Investments and the Greater London Authority's (GLA) Treasury Management Strategy Statement (TMSS). This report provides details of the GLA investment and borrowing activities for the period from 1 April 2025 to 30 September 2025 (the reporting period) and highlights any relevant issues.
- 2.2 The GLA relies on London Treasury Limited (LTL), its wholly owned subsidiary, to deliver the shared service. This report has been prepared by London Treasury in consultation with GLA officers.

### 3 Economic update

- 3.1 The following economic update has been prepared by London Treasury using source information from the Office for National Statistics; the Office for Budget Responsibility; MUFG Corporate Markets (MUFG), the GLA and the Treasury management shared service participants' appointed treasury advisors; and the Bank of England.
- 3.2 Inflation is a key determinant of short and long term interest rates and the Bank of England actively seeks to bring about a low and stable rate of inflation (keeping inflation at 2% over the medium term) through monetary policy (primarily by adjustments to "Bank Rate", the interest rate it pays on deposits, which in turn influences other interest rates throughout the economy). The Bank focuses on measures of Consumer Price Inflation (CPI), including Core CPI, which excludes energy, food, alcohol and tobacco.
- 3.3 The rate of Core CPI has trended down over the past two years though increased moderately over the first six months of 2025 and has remained relatively steady over the most recent quarter: the average monthly CPI rate (annualised) for July to September was 3.6% versus 3.7% for April to June. Core inflation is expected to continue to decline and headline CPI is expected to fall close to 2% by early 2027. The Bank of England now judges that the risk from greater inflation persistence has become less pronounced. The general path of disinflation in recent years has enabled the Bank of England to cut Bank Rate from 4.50% to 4.25% in May and again to 4.00% in August, with further gradual cuts expected if inflation continues to trend down. At its meeting ending on 5 November 2025, the Monetary Policy Committee voted by a majority of 5–4 to maintain Bank Rate at 4%.
- 3.4 Labour market conditions are a key driver of inflation in the UK which has experienced relatively low unemployment and a high number of vacancies in recent years, corresponding to a relatively high rate of wage growth. However, labour demand has softened over recent quarters with employment and vacancies falling, which is easing wage pressures: average earnings growth (excluding bonuses) slowed to 4.6% for July to September compared with 5.0% for April to June. The Bank of England expects wage growth to moderate further over the remainder of 2025 and into 2026.
- 3.5 The rate of economic growth is an important anchor for interest rates. Alongside its primary inflation mandate, the Bank of England uses interest rates to support balanced and sustainable economic growth in the UK. The UK economy continued to slow in the second quarter of 2025-26 which may reflect uncertainty ahead of the Autumn Budget, according to the Bank of England, as well as subdued overseas demand. Real GDP is estimated to have grown by 0.1% for the quarter versus 0.3% for the previous quarter (April to June) and 0.2% for the equivalent quarter in calendar year 2024. In the *November Monetary Policy Report*, the Bank expects growth to fall slightly in the near term before picking up in the medium term as monetary policy is loosened, whilst noting that downside domestic and geopolitical risks around economic activity remain.

- 3.6 Global financial conditions, supply (including actual and expected changes in government borrowing) and demand also exert a significant influence on interest rates. Fiscal policy also has an impact on growth and inflation.
- 3.7 Long term interest rates have increased in the UK and other advanced economies over 2025, with the increase in borrowing costs attributed to concerns around fiscal sustainability in advanced economies. The 10-year gilt yield increased from 4.5% to 4.7% over June to September, though this has been partially reversed since quarter end given the improved outlook for inflation.
- 3.8 Public sector borrowing totalled £99.8bn in the first six months of 2025/26, which was ahead of the Office for Budget Responsibility's (OBR) forecast for the period, though the OBR expects borrowing for the fiscal year to be lower relative to 2024/25. Nonetheless, if gilt yields remain elevated, future debt costs could rise, potentially requiring significant tax increases to maintain fiscal headroom. Based on the Government's Spring Statement, the Bank of England judges the overall stance of fiscal policy as tightening materially over the medium term, weighing on growth.

#### 4 Interest Rate Forecast

- 4.1 As part of its advisory services, MUFG maintains interest rate forecasts. Interest rate forecasts are regularly and systematically reviewed but are not necessarily changed as the result of each review. MUFG's current forecasts (as at the time of writing) are shown below and remain consistent with the most recent change to the forecasts dated 11 August 2025.
- 4.2 The PWLB rate forecasts set out below are for the Certainty rate (i.e. the PWLB standard interest rate reduced by 0.20%, calculated as Gilts plus 0.80%).

| <b>Table 1 - MUFG Corporate Markets Interest Rates View (11 August 2025)</b> |           |             |              |              |              |
|--|-----------|-------------|--------------|--------------|--------------|
|  | Bank Rate | 5 Year PWLB | 10 Year PWLB | 25 Year PWLB | 50 Year PWLB |
| Sep-25   | 4.00      | 4.80        | 5.30         | 6.10         | 5.80         |
| Dec-25   | 4.00      | 4.70        | 5.20         | 5.90         | 5.60         |
| Mar-26   | 3.75      | 4.50        | 5.00         | 5.70         | 5.40         |
| Jun-26   | 3.75      | 4.40        | 4.90         | 5.70         | 5.40         |
| Sep-26   | 3.50      | 4.30        | 4.80         | 5.50         | 5.30         |
| Dec-26   | 3.50      | 4.30        | 4.80         | 5.50         | 5.30         |
| Mar-27   | 3.50      | 4.30        | 4.80         | 5.50         | 5.30         |
| Jun-27   | 3.50      | 4.20        | 4.70         | 5.40         | 5.20         |
| Sep-27   | 3.25      | 4.20        | 4.70         | 5.40         | 5.20         |
| Dec-27   | 3.25      | 4.20        | 4.70         | 5.30         | 5.10         |
| Mar-28   | 3.25      | 4.20        | 4.70         | 5.30         | 5.10         |
| Jun-28   | 3.25      | 4.10        | 4.60         | 5.30         | 5.00         |
| Sep-28   | 3.25      | 4.10        | 4.60         | 5.20         | 5.00         |

Source: MUFG

- 4.3 MUFG expect further disinflation to allow a modest loosening of monetary policy over the forecast period (September 2025 to September 2028), with Bank Rate reducing from 4.00% to 3.75% by the end of March 2026, and to 3.25% by September 2028.
- 4.4 Borrowing rates available from the Public Works Loan Board (PWLB), which are tied to UK gilt yields, are also expected to be ease over the forecast period with interest rates for new 5, 10, 25 and 50 year loans anticipated to be 0.6%-0.9% lower than rates prevailing in September 2025.

## 5 Treasury Management Strategy Statement (TMSS) and Investment Strategy Update

- 5.1 There were no changes to GLA's TMSS and investment strategy during the half-year.
- 5.2 London Treasury Limited management confirms that all treasury management operations have been conducted in full compliance with GLA's Treasury Management Practices (TMP's) as set out in GLA's TMSS. Treasury management operations are in scope of internal audit programmes. The most recent audit was concluded in September 2024 and found that there was adequate assurance over the control framework and further enhancement has been made to treasury operations post the audit recommendations.
- 5.3 The GLA is both a participant in the GLA treasury management shared service and a limited partner in the London Treasury Liquidity Fund (LTLF). As part of its shared service, the GLA is provided a monthly cashflow, investment and borrowing report. As principal portfolio manager of LTLF, London Treasury also provides the GLA with monthly and quarterly investment reports in relation to its investment in LTLF.

## 6 Treasury Management Mid-Year Position

- 6.1 The GLA's debt and investment activities are managed to provide adequate liquidity for revenue and capital activities, to ensure security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through reporting and through officer activity as set out in the Treasury Management Practices.
- 6.2 The table below details the treasury management position as at 30 September 2025 compared to the previous year-end.

| Table 2 - Treasury Management Position | 31 March 2025 |      | 30 September 2025 |              |
|--|---------------|------|-------------------|--------------|
|  | Amount        | Rate | Amount            | Average Rate |
| Capital Financing Requirement - Total  | £5,311.07m    |      | £5,248.71m        |              |
| Less Other Long-Term Liabilities       | -£21.73m      |      | -£19.67m          |              |

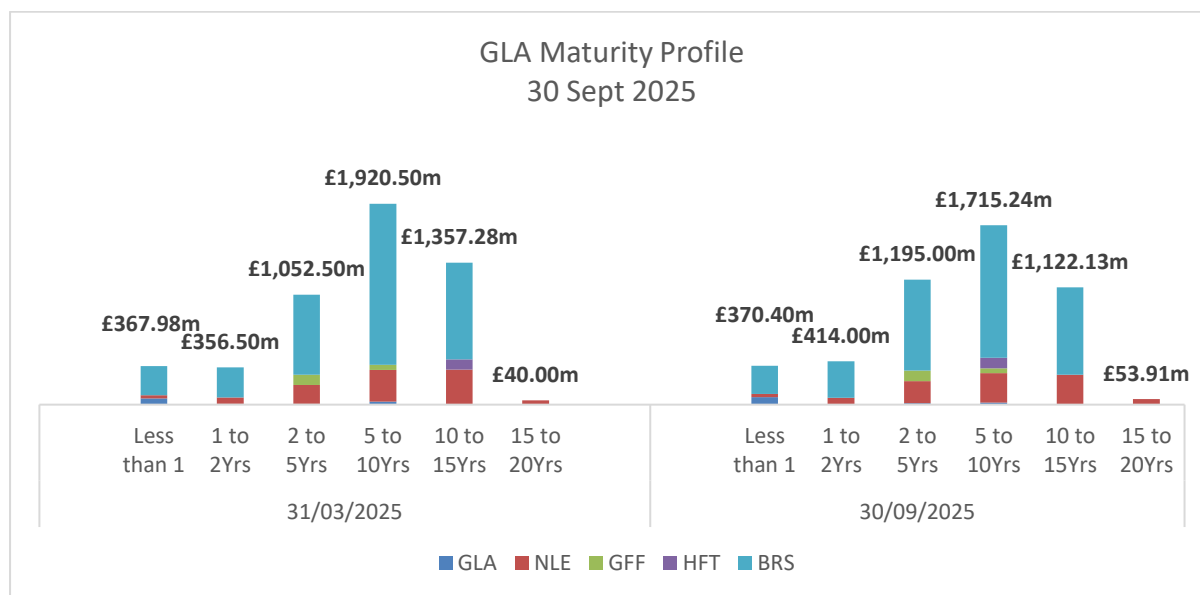
|   |                   |       |                   |       |
|---|-------------------|-------|-------------------|-------|
| <b>Underlying Borrowing Requirement (A)</b> | <b>£5,289.34m</b> |       | <b>£5,229.03m</b> |       |
| Long-Term Borrowing - Total                 | £5,038.28m        | 2.95% | £4,801.78m        | 2.98% |
| Short-Term Borrowing - GLA Core             | £56.48m           | 4.66% | £68.90m           | 3.97% |
| <b>Total External Borrowing (B)</b>         | <b>£5,094.76m</b> |       | <b>£4,870.68m</b> |       |
| <b>Under/(Over) Borrowing (A-B)</b>         | <b>£194.58m</b>   |       | <b>£358.35m</b>   |       |
| Investments: Short/Long-Term (C)            | £2,541.11m        |       | £2,768.86m        |       |
| <b>Total Net Borrowing (B-C)</b>            | <b>£2,553.66m</b> |       | <b>£2,101.83m</b> |       |

- 6.3 The capital financing requirement (CFR) represents the authority's underlying need to borrow. It is the cumulative amount of past and current capital expenditure that is yet to be funded by revenue and other immediately available resources and is therefore unfunded.
- 6.4 The authority finances unfunded capital expenditure through both internal and external borrowing. Internal borrowing is the temporary use of the authority's cash resources to finance unfunded capital expenditure. Internal borrowing reduces investment balances and the precise mixture of external and internal borrowing is determined by cash flow requirements and other risk management considerations to achieve cost certainty and value for money.
- 6.5 Other long-term liabilities are separately identified in the table to demonstrate the underlying CFR that needs to be met by external or internal borrowing. Other liabilities outstanding relate to financing arrangements for the GLA's office accommodation.
- 6.6 The total estimated CFR, excluding other long-term liabilities, is £5,229.03m for 2025/26 which exceeds external borrowing of £4,870.68m as 30 September 2025. Therefore, the GLA is under-borrowed by £358.35m which is 6% of the overall CFR and does not present a financing risk.
- 6.7 Table 3 (below) provides a breakdown of the capital financing requirement into its constituent parts and related external borrowing.
- 6.8 Both the Elizabeth line and the Northern Line Extension are slightly over-borrowed and the Green Finance Fund (GFF) is broadly balanced. The GLA core borrowing requirement is met, to a significant extent, by internal borrowing due to the authority's significant and persistent cash balances (£2,768.86m as at 30 September 2025), which represents a cost-effective means of financing unfunded capital expenditure taking account of associated risks.

| Table 3 – Capital Financing Requirement and External Borrowing | 31 March 2025     |                    |                     |               | 30 September 2025 |                    |                       |              |
|--|-------------------|--------------------|---------------------|---------------|-------------------|--------------------|-----------------------|--------------|
|  | CFR (Actual)      | Borrowing (Actual) | Difference (Actual) | Rate (Actual) | CFR (Estimate)    | Borrowing (Actual) | Difference (Estimate) | Average Rate |
| Elizabeth Line (BRS)   | £3,568.29m        | £3,797.00m         | £228.71m            |               | £3,303.46m        | £3,593.00m         | £289.54m              | 3.28%        |
| Northern Line Extension  | £861.39m          | £949.54m           | £88.15m             |               | £861.39m          | £919.54m           | £58.15m               | 1.80%        |
| MHCLG Financial Transactions                                   | £37.81m           | £98.74m            | £60.93m             |               | £16.77m           | £98.74m            | £81.97m               | 0.79%        |
| Green Finance Fund   | £152.24m          | £148.00m           | –£4.24m             |               | £230.83m          | £148.00m           | –£82.83m              |              |
| GLA Core   | £669.61m          | £45.00m            | –£624.61m           |               | £816.58m          | £42.50m            | –£774.08m             | 3.47%        |
| <b>Long Term Borrowing</b>                                     |                   | <b>£5,038.28m</b>  |                     | <b>2.95%</b>  |                   | <b>£4,801.78m</b>  |                       | <b>2.98%</b> |
| GLA Core   |                   | £56.48m            |                     |               |                   | £68.90m            |                       |              |
| <b>Short Term Borrowing</b>                                    |                   | <b>£56.48m</b>     |                     | <b>4.66%</b>  |                   | <b>£68.90m</b>     |                       | <b>3.97%</b> |
| <b>Underlying Borrowing Requirement</b>                        | <b>£5,289.34m</b> | <b>£5,094.76m</b>  | <b>–£194.58m</b>    |               | <b>£5,229.03m</b> | <b>£4,870.68m</b>  | <b>–£358.35m</b>      |              |
| Other long-term liabilities <sup>1</sup>                       | £21.73m           | £24.93m            | £3.20m              |               | £19.67m           | £24.93m            | £5.25m                |              |
| <b>Total Capital Financing Requirement / Gross Debt</b>        | <b>£5,311.07m</b> | <b>£5,119.69m</b>  | <b>–£191.38m</b>    |               | <b>£5,248.71m</b> | <b>£4,895.61m</b>  | <b>–£353.10m</b>      |              |

<sup>1</sup> Other long-term liabilities result from the adoption of the *International Financing Reporting Standard 16 Leases* accounting standard in 2024/25 which brought operating lease transactions onto the balance sheet. Timing differences between accounting and cash flows are equalised over the life of the underlying assets.

6.9 The chart below illustrates the maturity structure of the GLA's debt portfolio, showing the composition by maturity buckets.



6.10 The data labels indicate total loans maturing within each bucket as of 31 March 2025 and 30 September 2025. £367.98m and £370.40m will mature within 12 months of March and September 2025, respectively, while £3,277.78m and £2,837.37m will mature within 5–15 years. This demonstrates that the majority of debt matures in the medium- to long-term, minimizing short-term refinancing risk.

## 7 Interest receivable and payable

7.1 Table 4 shows the revenue impact of interest on debt and investments including the forecast outturn for 2025/26 against the interest receivable and payable budgets.

| <b>Table 4- Interest receivable and payable</b> | <b>Actual at 30/09/2025</b> | <b>Forecast 2025/26</b> | <b>Budget 2025/26</b> | <b>(Under) / Overspend 2025/26</b> |
|---|-----------------------------|-------------------------|-----------------------|------------------------------------|
| Interest Receivable                             | (£56.61m)                   | (£112.53m)              | (£92.40m)             | (£20.13m)                          |
| Interest Payable                                | £71.49m                     | £150.19m                | £157.60m              | (£7.41m)                           |
| Net Interest                                    | £14.88m                     | £37.66m                 | £65.20m               | (£27.54m)                          |

7.2 The forecasts indicate interest receivable (income) is expected to exceed the budget by £20.13m, while interest payable (expenditure) is projected to be £7.41m below budget. This results in a combined favourable variance of £27.54m against the overall interest budget. The overall interest budget consolidates interest payable and receivable due to the GLA Core as well as the Crossrail (BRS) and NLE project accounts. The interest receivable budget for 2025/26 of £92.40m covers the treasury investment activities presented in this report (LTLF and GLA own investment) alongside interest receivable on GLA lending to its subsidiary GLAP.

## 8 Borrowing activity

8.1 The GLA is required to borrow to fund its capital programme. The amount of new borrowing needed each year is determined by new unfunded capital schemes within the capital programme. On occasion it is necessary to undertake temporary borrowing to manage operational cash flow requirements.

8.2 The following tables show movement in borrowing during the reporting period.

| <b>Table 5-<br/>Long<br/>Term<br/>Borrowing</b> | <b>Counterparty</b> | <b>01/04/2025</b> | <b>New Loan</b> | <b>Repayment</b> | <b>30/09/2025</b> |
|---|---------------------|-------------------|-----------------|------------------|-------------------|
| <b>Crossrail<br/>(BRS)</b>                      | PWLB                | £1,540.00m        | £0.00m          | -£100.00m        | £1,440.00m        |
|   | DfT                 | £1,657.00m        | £0.00m          | -£104.00m        | £1,553.00m        |
|   | COMFIN<br>BOND      | £600.00m          | £0.00m          | £0.00m           | £600.00m          |
|   | <b>Subtotal</b>     | <b>£3,797.00m</b> | <b>£0.00m</b>   | <b>-£204.00m</b> | <b>£3,593.00m</b> |
| <b>NLE</b>                                      | PWLB                | £200.00m          | £0.00m          | £0.00m           | £200.00m          |
|   | COMFIN<br>BOND      | £269.54m          | £0.00m          | £0.00m           | £269.54m          |
|   | EIB                 | £480.00m          | £0.00m          | -£30.00m         | £450.00m          |
|   | <b>Subtotal</b>     | <b>£949.54m</b>   | <b>£0.00m</b>   | <b>-£30.00m</b>  | <b>£919.54m</b>   |
| <b>GFF</b>                                      | NWF                 | £148.00m          | £0.00m          | £0.00m           | £148.00m          |
| <b>HFT</b>                                      | MHCLG               | £98.74m           | £0.00m          | £0.00m           | £98.74m           |
| <b>GLA Core</b>                                 | PWLB                | £45.00m           | £0.00m          | -£2.50m          | £42.50m           |
| <b>Grand<br/>Total</b>                          |                     | <b>£5,038.28m</b> | <b>£0.00m</b>   | <b>-£236.50m</b> | <b>£4,801.78m</b> |

8.3 Long-term borrowing totalled £5,038.28m at the start of the 2025-26 and had reduced to £4,801.78m by the end of Q2 : a total net reduction of £236.50m. The movement on the debt portfolio resulted from debt maturities for Crossrail and the Northern Line Extension portfolios as well as GLA core debt. No new long term loans were issued during the first half of the financial year.

| <b>Table 6 -<br/>Short Term<br/>Borrowing</b> | <b>Counterparty</b> | <b>01/04/2025</b> | <b>Net Movement</b> | <b>30/09/2025</b> |
|---|---------------------|-------------------|---------------------|-------------------|
| <b>GLA</b>                                    | ReLondon            | £7.29m            | -£1.03m             | £6.26m            |
|   | OPDC                | £29.19m           | £33.45m             | £62.64m           |

|                    |                              |                |                |                |
|--------------------|------------------------------|----------------|----------------|----------------|
|                    | Local Authority<br>(various) | £20.00m        | -£20.00m       | £0.00m         |
| <b>Grand Total</b> |                              | <b>£56.48m</b> | <b>£12.42m</b> | <b>£68.90m</b> |

- 8.4 There was a net increase of £12.42m in short-term borrowing up to the end of 30 September 2025.
- 8.5 ReLondon and OPDC borrowing represents cash deposits maintained with the GLA and invested in the London Treasury Liquidity Fund. Interest on these borrowings is calculated daily based on the Sterling Overnight Index Average (SONIA) rate. ReLondon and OPDC's deposits with the GLA are treated as temporary borrowing in the GLA's portfolio. They do not present any material risk to the GLA's financial performance owing to the small size of the investments and the conservative investment strategy employed by the LTLF.
- 8.6 Local Authority borrowing represents amounts borrowed by the GLA in its own name to on-lend to other shared service participants from within the GLA Group for cashflow purposes and to ensure cost efficiency at a GLA Group level.

## 9 Integrated Investment Activities

- 9.1 The GLA's treasury investments arise from the management of reserves and working capital, and are invested with priorities of security and liquidity before yield, but nevertheless always seeking to achieve best value consistent with the GLA's risk appetite.
- 9.2 The GLA also holds investments related to its purposes and policy objectives (service investments). Depending on the legal structure and financial characteristics of such investments, they may or may not be categorised as capital expenditure.

### Treasury Investments

- 9.3 The GLA's treasury investments are managed within the London Treasury Liquidity Fund (LTLF). Total investment balances (analysed between the substantive loan contribution and a residual core commitment) as at 30 September 2025 including performance information for the first six months of 2025-26 are displayed in table 7.

| <b>Table 7 - LTLF Investment</b> | <b>Core Commitment</b> | <b>Loan Contributions</b> | <b>Total</b> |
|----------------------------------|------------------------|---------------------------|--------------|
| Average Investment               | £52.30m                | £2,678.92m                | £2,731.22m   |
| Investment Return                | -£1.79m                | £57.60m                   | £55.81m      |
| <b>Annualised Return</b>         | <b>-6.81%</b>          | <b>4.29%</b>              | <b>4.08%</b> |
| <b>Benchmark Return</b>          |                        |                           | <b>4.58%</b> |

|                         |  |  |               |
|-------------------------|--|--|---------------|
| <b>Underperformance</b> |  |  | <b>-0.51%</b> |
|-------------------------|--|--|---------------|

9.4 London Treasury Limited (LTL), as the principal portfolio manager to LTLF, consolidates performance information and provides detailed monthly investment performance reports to the GLA shared service and GLA officers. Investment in LTLF earned a total return of £55.81m, an annual equivalent rate of 4.08%. This compared to the comparable benchmark of 4.58% (average SONIA plus 40bp), represents an underperformance of 0.51%. Relative performance was driven by the fund's strategic lending allocation. The fund's investment objective is to achieve SONIA + 0.40% over a rolling three-year cycle.

9.5 LTL advised that this information must not be construed as investment advice or offer to invest and has been provided solely for the purposes of the GLA and should not be relied on by any other party. Past performance is not necessarily indicative of future results, and nothing contained herein shall constitute any representation or warranty as to the future performance of the fund, any financial instrument or other market or economic measure. All returns are net of fees.

9.6 GLA Own Investment

| <b>Table 8 - GLA Own Investment</b> | <b>01/04/2025</b> | <b>Net Movement</b> | <b>30/09/2025</b> |
|-------------------------------------|-------------------|---------------------|-------------------|
|                                     | £20.00m           | -£20.00m            | £0.00m            |

| <b>Table 9 – GLA Own Investment</b> |              |
|-------------------------------------|--------------|
| Average Investment                  | £33.20m      |
| Investment Return                   | £0.78m       |
| <b>Annualised Return</b>            | <b>4.76%</b> |

9.7 The GLA Own Investment was as a result of the borrowing taken (see paragraph 8.5) and then lent to one of its shared service participants during the reporting period. The interest revenue impact to the GLA resulting from this activity was nil.

### Service Investments

9.8 In addition to the treasury investments set out above, the GLA maintains a portfolio of service investments related to the purposes and policy objectives of the GLA (i.e. not held purely for treasury purposes). A comprehensive schedule of investments as at 30 September 2025 (the latest position) is set out at Appendix 1 and summarised by investment theme below.

| <b>Table 10 - Investment Theme</b>     | <b>Value as at 30/09/2025</b> |
|--|-------------------------------|
| Treasury                               | £2,767.16m                    |
| Housing and Land                       | £379.60m                      |
| Funding London*                        | £153.75m                      |
| Regeneration                           | £3.08m                        |
| Green Finance                          | £276.54m                      |
| Subsidiary and Functional Body finance | £697.16m                      |
| <b>Total</b>                           | <b>£4,277.30m</b>             |

*\*Value as at 30/06/2025*

- 9.9 For those investments within the integrated investment strategy that constitute capital expenditure, some have been funded via the application of existing revenue resources, grants or capital receipts, whilst others are unfunded (either in whole or in part) and therefore add to the GLA's Capital Financing Requirement (CFR), i.e. the borrowing requirement.
- 9.10 The GLA's policy for reducing the CFR over time in a manner that is prudential and affordable is set out in the Minimum Revenue Provision (MRP) policy. The policy requires that the CFR arising from capital loans should be reduced through the application of capital receipts derived from the repayment of the underlying loans. Where expected credit losses are recognised, the GLA applies the relevant regulatory guidance to provide MRP.
- 9.11 The table below sets out the GLA's estimated CFR position for 31 March 2026, separately analysing capital loans by investment theme.

| <b>Table 11 – Capital Financing Requirement</b>                                 | <b>Revised Estimate 2025/26</b> |
|---|---------------------------------|
| <b>CFR arising from BRS, NLE and other capital expenditure to be met by MRP</b> | <b>£4,255.90m</b>               |
| BRS (Elizabeth Line)  | £3,303.46m                      |
| NLE (Northern Line Extension)   | £861.39m                        |
| London Museum   | £44.57m                         |
| Royal Docks   | £26.81m                         |
| City Hall and Union St Finance Lease  | £19.67m                         |
|   |                                 |
| <b>CFR arising from loan activity</b>   | <b>£992.80m</b>                 |
| Housing and Land  | £19.13m                         |
| Subsidiary and Functional Body Finance  | £742.84m                        |
| Green Finance Fund  | £230.83m                        |
| <b>Total</b>  | <b>£5,248.71m</b>               |

- 9.12 Table 11 shows that a significant minority portion of the GLA's capital financing requirement arises from capital loan activity. The majority of the authority's capital loans relate to the financing of subsidiaries and functional bodies (GLAP, LLDC and OPDC).

## 10 Treasury and Prudential Limits

- 10.1 It is a statutory duty to determine and keep under review the affordable borrowing limits. During the year to 30 September 2025, all treasury management operations have been conducted in full compliance with the Authority's Treasury Management Practices as set out in the TMSS for 2025/26.
- 10.2 It is a statutory requirement to determine and keep under review prudential and treasury management indicators for GLA.

### Treasury Management Prudential Indicators

#### *Capital Expenditure Prudential Indicators*

| <b>Table 12 - Capital Expenditure and Capital Financing Requirement</b> | <b>Original Estimate (TMSS)</b> | <b>Revised Estimate</b> | <b>Actual to 30/09/25</b> | <b>%</b> |
|---|---------------------------------|-------------------------|---------------------------|----------|
| Capital Expenditure   | £1,868.40m                      | £1,779.79m              | £479.01m                  | 27%      |
| Capital Financing Requirement   | £5,378.49m                      | £5,248.71m              | N/A                       |          |

#### *External Debt Prudential Indicators*

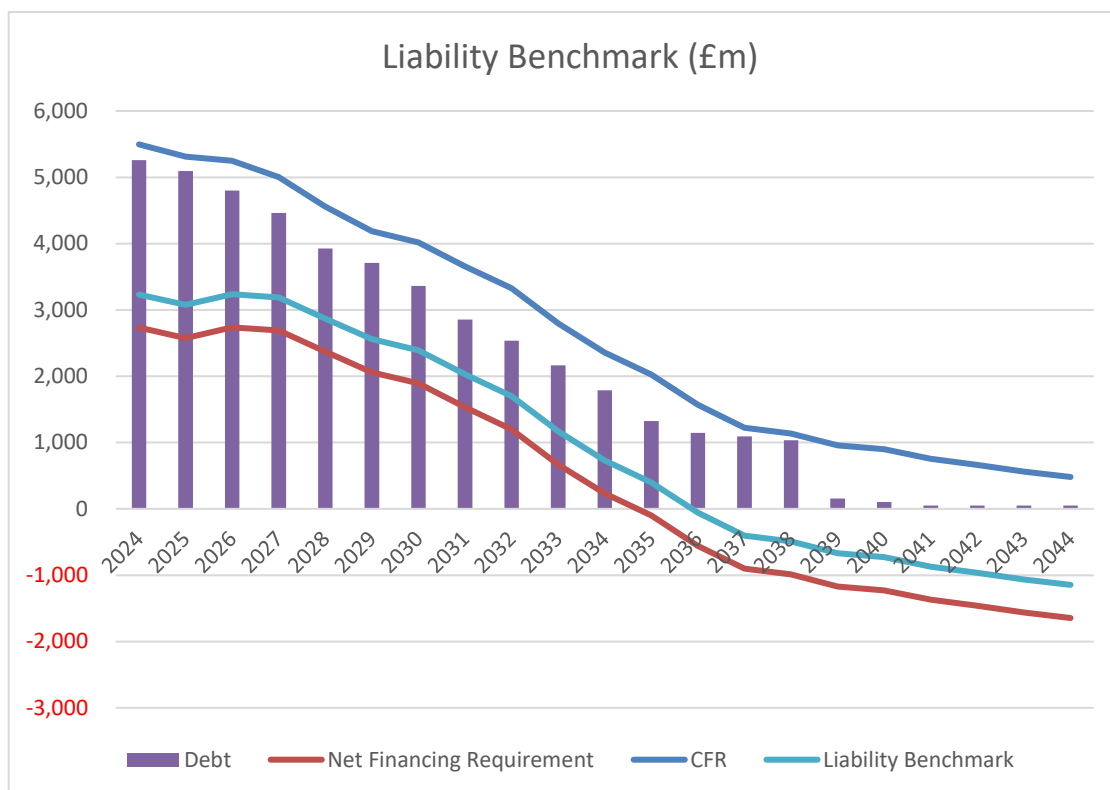
| <b>Table 13 - Authorised Limit for External Debt</b> | <b>2025-26</b> |
|--|----------------|
| Authorised Limit                                     | £6,200.00m     |
| External Debt at Period End                          | £4,870.68m     |
| Other Liabilities                                    | £24.93m        |
| Headroom   | £1,304.39m     |

- 11.3 The Authorised Limit is the absolute borrowing ceiling which cannot be exceeded, except in certain circumstances, as provided under section 5 of the Local Government Act 2003. While the operational boundary 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.

| <b>Table 14 - Operational Boundary for External Debt</b> | <b>2025-26</b> |
|--|----------------|
| Operational Boundary                                     | £5,700.00m     |
| External Debt at Period End                              | £4,870.68m     |

|                   |          |
|-------------------|----------|
| Other Liabilities | £24.93m  |
| Headroom          | £804.39m |

### Liability Benchmark



### Limits for Maturity Structure of Borrowing

| Table 15- Limits for Maturity Structure of Borrowing | Lower Limit | Upper Limit | 30/09/2025 |
|--|-------------|-------------|------------|
|  | %           | %           | %          |
| Under 12 months                                      | 0           | 30          | 8          |
| 12 months and within 2 years                         | 0           | 25          | 8          |
| 2 years and within 5 years                           | 0           | 35          | 25         |
| 5 years and within 10 years                          | 20          | 50          | 35         |
| 10 years and above                                   | 10          | 40          | 24         |

## 11 Recommendations

11.1 To note the report.

## 12 Appendices

Appendix 1 – Overview of GLA Financial Investments (30 September 2025)

## Appendix 1 – Overview of GLA Financial Investments by Fair Value as at 30 September 2025 (£m)<sup>2</sup>

| Investment Theme          | Programme                                  | GLA          | GLA - ERDF | GLAP <sup>3</sup> | SMEWFL    | GLA Total    |
|---------------------------|--|--------------|------------|-------------------|-----------|--------------|
| Treasury                  | LTLF                                       | 2,767        | -          | -                 | -         | 2,767        |
| Housing and Land          | Affordable or community housing programmes | 33           | -          | -                 | -         | 33           |
|                           | Land Fund <sup>4</sup>                     | 79           | -          | 54                | -         | 134          |
|                           | GLAP investments                           | -            | -          | 141               | -         | 141          |
|                           | MHCLG Financial Transactions               | 37           | -          | -                 | -         | 37           |
|                           | Investments in 3rd party funds             | 10           | -          | 24                | -         | 34           |
| Funding London            | LCIF                                       | 35           | -          | -                 | 2         | 37           |
|                           | GLIF                                       | 26           | 62         | -                 | 19        | 107          |
|                           | MMC London Fund                            | -            | -          | -                 | 10        | 10           |
| Regeneration              | GPF  | 3            | -          | -                 | -         | 3            |
| Green Finance             | Edge Fund                                  | 1            | -          | -                 | -         | 1            |
|                           | LEEF                                       | 3            | 6          | -                 | -         | 9            |
|                           | Housing Finance Corporation - GSHF         | 5            | 5          | -                 | -         | 11           |
|                           | MEEF                                       | 30           | 74         | -                 | -         | 103          |
|                           | GFF  | 152          | -          | -                 | -         | 152          |
| Subsidiary and FB finance | GLAP - foundation                          | 220          | -          | (129)             | -         | 91           |
|                           | GLAP- operational finance                  | 97           | -          | (97)              | -         | -            |
|                           | LLDC                                       | 509          | -          | 6                 | -         | 515          |
|                           | OPDC <sup>1</sup>                          | 89           | -          | -                 | -         | 89           |
|                           | London Power Co Share Capital              | 1            | -          | -                 | -         | 1            |
|                           | LTL (regulatory capital)                   | 1            | -          | -                 | -         | 1            |
| <b>Totals</b>             |  | <b>4,099</b> | <b>147</b> | <b>0</b>          | <b>32</b> | <b>4,277</b> |

<sup>2</sup> Table total may not sum due to rounding.

<sup>3</sup> Total GLAP investment is shown net of GLA financing to avoid double counting.

<sup>4</sup> Housing and Land: Land Fund and GLAP investments includes £50m loan to OPDC