

GREATER LONDON AUTHORITY
Treasury Management Outturn
2024-25

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 £5.095bn and investments of £2.541bn (as at 31 March 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 2024-25, 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
 - The economic background and interest rate forecasts for both the debt and investment portfolios
 - Capital and prudential indicators
 - Debt and investment portfolios

2 Introduction

- 2.1 This report has been written in accordance with 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 and the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Government Investments. This report provides details of the Greater London Authority's (GLA) investment and borrowing activities for the period from 1 April 2024 to 31 March 2025 (the Reporting Period) and highlights any relevant issues.
- 2.2 The GLA relies on its own officers together with London Treasury Limited (LTL), its wholly owned subsidiary, authorised and regulated by the Financial Conduct Authority (FCA) to deliver the shared service. This report has been prepared by the GLA with support from LTL and in consultation with GLA officers.

3 Economic Update

- 3.1 MUFG Corporate Markets (MUFG, previously Link Group) has been appointed as treasury advisors to the GLA and the treasury management shared service participants. The follow commentary is adapted from information provided by MUFG.
- 3.2 UK inflation remained above the Bank of England's 2% for much of 2024-25. Having started the financial year at 2.3% year-on-year (April), the CPI measure of inflation briefly dipped to 1.7% in September before picking up again in latter months of the year, reaching 2.8% in February. Inflation has continued to rise in the first quarter of 2025/26: the latest reading (May 2025) is 3.4%.
- 3.3 Geopolitical risks have remained elevated and trade tensions have dominated the global economic foreground as the Trump administration has introduced new tariff policies on US trade with the rest of the world. Under these conditions, UK economic growth is expected to be limited: in March 2025 the Office for Budget Responsibility reduced its 2025 GDP forecast for the UK economy to 1% (previously 2% in October 2024) noting that the economic and fiscal outlook has become more challenging since the Chancellor's Autumn Budget.
- 3.4 Against this backdrop, the Bank of England's Monetary Policy Committee (MPC) maintained a cautious approach to reducing base interest rates over the course of the year. Bank Rate, which started the financial year at 5.25%, has gradually reduced to 4.50% by the end of 2024/25. As at the time of writing Bank Rate is 4.25% (following the MPC's 0.25% cut at its meeting in May).
- 3.5 Gilt yields (borrowing costs) rose significantly over the second half of the year and have remained elevated ever since. As a consequence, the yield curve is now somewhat steeper compared to the start of the year.
- 3.6 The challenges faced by central banks in determining whether to cut interest rates are that inflation pressures remain and labour markets are still relatively tight by historical comparisons. Moreover, central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.

	UK	Eurozone	US
Bank Rate	4.25%	2.0%	4.25%-4.5%
GDP	0.1%q/q Q4 (1.1%/y/y)	+0.1%q/q Q4 (0.7%/y/y)	2.4% Q4 Annualised
Inflation	2.8%/y/y (Feb)	2.3%/y/y (Feb)	2.8%/y/y (Feb)
Unemployment Rate	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

4 Interest Rate Forecasts

- 4.1 As part of its advisory services, MUFG provides 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) remain consistent with the most recent change to the forecasts dated 10 February 2025. The forecasts are set out in the table below and reflect MUFG's view that the MPC will continue to cut interest rates gradually over the medium term to a terminal rate of 3.50% (0.75% below the current Bank Rate level).
- 4.2 This is broadly consistent with how financial markets are pricing in future interest rate cuts, although markets are currently expecting Bank Rate to be cut by 0.5% to 3.75% by 31 December 2025, whereas MUFG Corporate Markets expect Bank Rate cuts to be a little slower, with Bank Rate forecast to be 4% at the end of 2025 and reaching 3.75% early in 2026.
- 4.3 MUFG similarly expects PWLB (borrowing) rates to be 0.80-0.90% lower by March 2028 compared to current levels.
- 4.4 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%) which has been accessible to most authorities since 1 November 2012.

Table 1 - MUFG Interest Rate forecasts – 10 February 2025 (%)

	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
Bank rate	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
5yr PWLB	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
10yr PWLB	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
25yr PWLB	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	5.00	4.90	4.80
50yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.70	4.60	4.50

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 reporting period.
- 5.2 During the reporting period, 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 controls framework.

- 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 provides a monthly cashflow, investment and borrowing report. As principal portfolio manager of LTLF, LTL also provides the GLA with monthly and quarterly investment reports in relation to its investment in LTLF.

6 Treasury Management Outturn 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 31 March 2025 compared to the previous year-end. The capital financing requirement and external borrowing has been broken down into its constituent parts.

Table 2 - Treasury Management Position	Actual at 31/03/24		Actual at 31/03/25	
	Amount	Rate	Amount	Rate
Long-Term Borrowing:				
Elizabeth Line (BRS)	£4,066.00m		£3,797.00m	
Northern Line Extension (NLE)	£945.00m		£949.54m	
MHCLG Financial Transactions (HFT)	£99.00m		£98.74m	
Green Finance Fund (GFF)	£0.00m		£148.00m	
GLA Core	£50.00m		£45.00m	
Long-Term Borrowing - Total	£5,160.00m	2.94%	£5,038.28m	3.46%
Short-Term Borrowing - GLA Core	£98.00m	5.93%	£56.48m	4.66%
Total External Borrowing (A)	£5,258.00m		£5,094.76m	
Total Other Liabilities (B)	£0.00m		£24.93m	
Total Gross Debt (A+B)	£5,258.00m		£5,119.69m	
Capital Financing Requirement:				
BRS	£3,829.00m		£3,568.29m	
NLE	£861.00m		£861.39m	
HFT	£68.00m		£37.81m	
GFF	£100.00m		£152.24m	
GLA Core	£638.00m		£691.34m	
Capital Financing Requirement - Total	£5,496.00m		£5,311.07m	

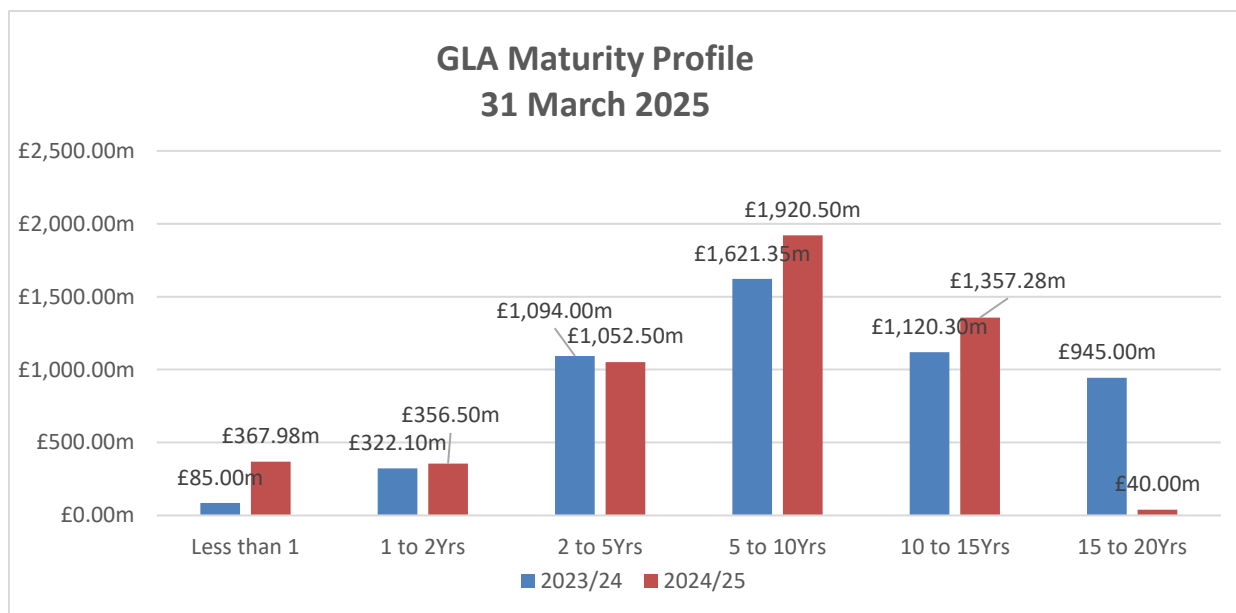
Less Other Long-Term Liabilities	£0.00m		£-21.73m	
Underlying Capital Borrowing Requirement (C)	£5,496.00m		£5,311.07m	
Under/(Over) Borrowing (C-A)	£238.00m		£194.58m	
Investments: Short/Long-Term (D)	£2,531.00m		£2,541.11m	
Total Net Borrowing (A-D)	£2,727.00m		£2,553.66m	

- 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 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 added in 2024/25 relate to financing arrangements for the GLA's office accommodation.
- 6.6 The total CFR, excluding other liabilities, was £5,311.07m at 31 March 2025 which exceeded external borrowing of £5,094.76m meaning that the authority had internally borrowed resources of £194.58m at that time. This left investment balances at £2,541.11m.
- 6.7 The largest components of the capital financing requirement relate to two major transport infrastructure investments made by the GLA: the Elizabeth Line and the Northern Line Extension, which are financed by borrowing programmed to mature in line with expected income hypothecated to both projects.
- 6.8 The Green Finance Fund (GFF) operates as a project account within the GLA where eligible capital investments that demonstrate a positive environmental impact are linked to loans or bonds issued under the GFF's Green Financing Framework. The associated CFR represents the sum of the GFF's capital investments, which is closely matched to borrowing at 31 March 2025.
- 6.9 Housing Financial Transactions involving the GLA acting as an agent for MHCLG, making capital loans to housing providers financed with a broadly back-to-back facility from MHCLG.

Table 3- Interest receivable and payable	Actual at 31/03/25	Budget	Variance
Interest Receivable	£-136.52m	£-116.00m	-£20.52m
Interest Payable	£149.08m	£154.40m	£-5.32m

6.10 Actual income received from treasury investments in 2024/25 exceeded the budget for income due to yields on investments and average cash balances available for investment being higher than originally anticipated. Interest expenditure was lower than budgeted as a result of treasury management activity during the year.

6.11 The chart below shows the maturity structure of the debt portfolio as at 31 March 2025.



7 Borrowing Activities

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

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

Table 4- Long Term Borrowing	Counterparty	01/04/2024	Net Movement	31/03/2025
Crossrail (BRS)	PWLB	£1,705.00m	-£165.00m	£1,540.00m
	DfT	£1,761.00m	-£104.00m	£1,657.00m
	COMFIN BOND	£600.00m	£0.00m	£600.00m
	Subtotal	£4,066.00m	£-269.00m	£3,797.00m
NLE	PWLB	£200.00m	£0.00m	£200.00m
	COMFIN BOND	£265.12m	£4.42m	£269.54m
	EIB	£480.00m	£0.00m	£480.00m

	Subtotal	£945.12m	£4.42m	£949.54m
GFF	NWF	£0.00m	£148.00m	£148.00m
HFT	MHCLG	£98.74m	£0.00m	£98.74m
GLA Core	PWLB	£50.00m	-£5.00m	£45.00m
Grand Total		£5,159.86m	-£121.58m	£5,038.28m

7.3 Long-term borrowing totalled £5,159.86m at the start of 2024/25 and £5,038.28m at the end of the financial year: a total net reduction of £121.58m. The movement on the debt portfolio resulted from the following activities:

- £269m of Crossrail-related debt was repaid in accordance with the financing strategy of the Crossrail account.
- £148m of new debt was issued in relation to the Green Finance Fund to support lending to eligible approved projects.
- The borrowing strategy for Northern Line Extension includes inflation linked-borrowing whereby the principal is uplifted annually based on CPI. This resulted in a £4.42m increase in the NLE debt portfolio.
- PWLB loans of £5m issued for core GLA activities matured during the year.

Table 5 - Short Term Borrowing	Counterparty	01/04/2024	Net Movement	31/03/2025
GLA	ReLondon	£3.21m	£4.09m	£7.29m
	OPDC	£54.90m	-£25.71m	£29.19m
	Local Authority (various)	£40.00m	-£20.00m	£20.00m
Grand Total		£98.10m	-£41.62m	£56.48m

7.4 There was a net decrease of £41.62m in short-term borrowing during the reporting period. ReLondon and OPDC borrowing represents cash deposits maintained with the GLA for onward invest in the London Treasury Liquidity Fund. 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.

8 Investment Activities

- 8.1 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 31 March 2025 including performance information for 2024/25 are displayed in table 6.

Table 6 - LTLF Investment	Core Commitment	Loan Contributions	Total
Average Investment	£50.02m	£2,555.80m	£2,605.82m
Investment Return	£5.07m	£130.47m	£135.53m
Annual Return	10.13%	5.10%	5.20%

- 8.2 London Treasury Limited, 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 £135.53m, resulting in an absolute return for the year of 5.20%. The comparable return on the fund's benchmark (SONIA + 0.40%) was 5.30%, resulting in a relative performance of -0.10%. 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.
- 8.3 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.

- 8.4 GLA Own Investment

Table 7 – GLA Own Investment	
Average Investment	£40.90m
Investment Return	£0.92m
Annualised Return	5.48%

- 8.5 The GLA Own Investment was as a result of the borrowing taken (see 7.4) and then lent to one of its Shared Service participants during the reporting period. The investment return of £0.92m was broadly equal to, and slightly exceeded, the cost of borrowing.

9 Integrated investment strategy position and capital financing requirement

- 9.1 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. A comprehensive schedule of investments as at 31 March 2025 (the latest position) is set out at Appendix 1 and summarised by investment theme below.

Table 8 - Investment Theme	Value as at 31 March 2025
Treasury	£2,541m
Housing and Land	£417m
Funding London	£126m
Regeneration	£3m
Green Finance	£275m
Subsidiary and Functional Body finance	£698m
Total	£4,060m

- 9.2 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.
- 9.3 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. The table below sets out the GLA's outturn CFR position versus the estimate at the start of the financial year, separately analysing capital loans, with investment theme shown in brackets.

Table 9 - CFR Outturn as at 31 March 2025	Estimate (£m)	Actual (£m)
<u>CFR arising from BRS, NLE and other capital expenditure to be met by MRP</u>	4,507	4,497
BRS (Elizabeth Line)	3,591	3,568
NLE (Northern Line Extension)	861	861
London Museum	30	30
Royal Docks	24	16
City Hall and Union Street	0	22
<u>CFR arising from loan activity</u>	965	814
Housing Financial Transactions (Housing and Land)	68	38
LDA/LTGDC Transferred Debt (Subsidiary and Functional Body Finance)	246	203
LLDC Capital Loans (Subsidiary and Functional Body Finance)	426	367
Big Issue Loan (Housing and Land)	3	3
Pocket Living (Housing and Land)	2	2
OPDC Programme (Subsidiary and Functional Body Finance)	53	48
Green Finance Fund (Green Finance)	165	152
Total	5,472	5,311

10 Compliance with Treasury and Prudential Limits

- 10.1 It is a statutory duty to determine and keep under review the affordable borrowing limits. During the year ended 31 March 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 2024/25.

11 Prudential and Treasury Management Indicators

- 11.1 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

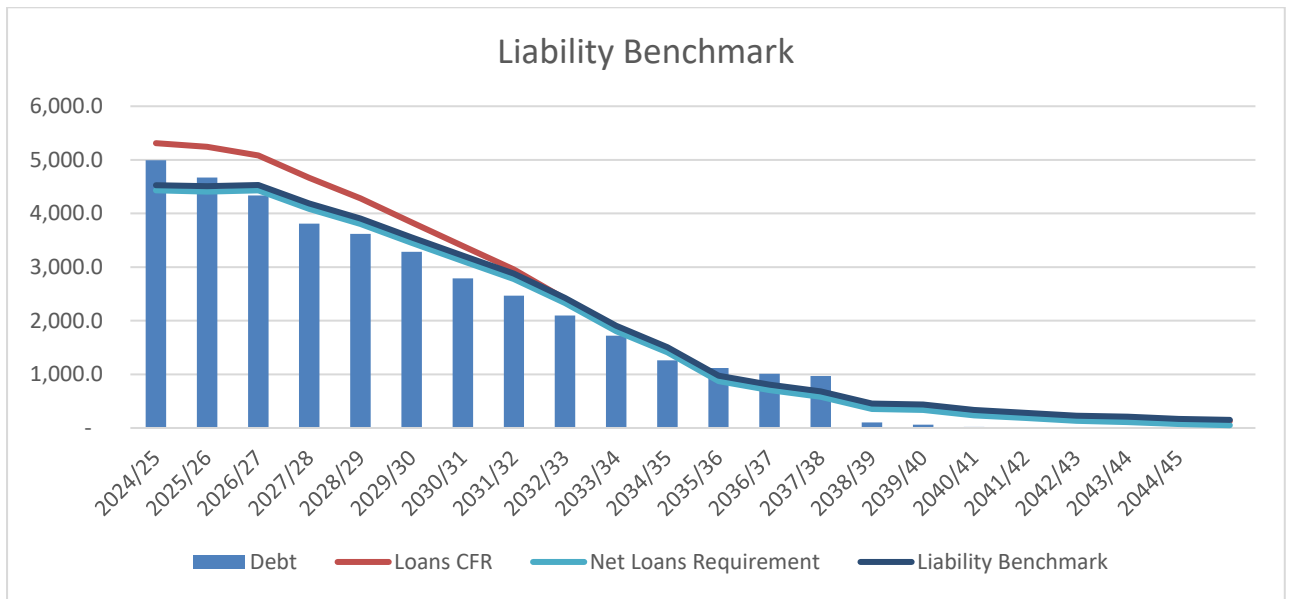
Table 9 - Capital Expenditure and Capital Financing Requirement	2024-25 Full Year Budget	2024-25 Actual
Capital Expenditure	£1,467.00m	£1,339.76m
Capital Financing Requirement	£5,378.00m	£5,311.07m

External Debt Prudential Indicators

Table 10 - Authorised Limit for External Debt	2024-25
Authorised Limit	£6,500.00m
External Debt at Period End	£5,119.69m
Headroom	£1,380.31m

Table 11 - Operational Boundary for External Debt	2024-25
Operational Boundary	£6,000.00m
External Debt at Period End	£5,119.69m
Headroom	£880.31m

Liability Benchmark



Limits for Maturity Structure of Borrowing

Table 12- Limits for Maturity Structure of Borrowing	Lower Limit %	Upper Limit %	31/03/25 %
Under 12 months	0	30	13
12 months and within 2 years	0	25	7
2 years and within 5 years	0	35	19
5 years and within 10 years	20	50	35
10 years and above	10	40	26

12 Recommendations

12.1 To note the report.

13 Appendices

Appendix 1 – Overview of GLA Financial Investments (31 Mar 2025)

Appendix 1 – Overview of GLA Financial Investments by Fair Value as at 31 Mar 2025 (£m)¹

Investment Theme	Programme	GLA	GLA - ERDF	GLAP ²	SMEWFL	GLA Total
Treasury	LTLF	2,655	-	-	-	2,655
Housing and Land	Affordable or community housing programmes	31	-	5	-	37
	Land Fund ³	78	-	55	-	133
	GLAP investments	-	-	132	-	132
	MHCLG Financial Transactions	37	-	-	-	37
	Investments in 3rd party funds	10	-	24	-	34
Funding London	LCIF	36	-	-	2	38
	GLIF	14	44	-	12	70
	MMC London Fund	-	-	-	19	19
Regeneration	GPF	3	-	-	-	3
Green Finance	Edge Fund	1	-	-	-	1
	LEEF	3	6	-	-	9
	Housing Finance Corporation - GSHF	5	5	-	-	11
	MEEF	23	74	-	-	97
	GFF	152	-	-	-	152
Subsidiary and FB finance	GLAP - foundation	220	-	(126)	-	94
	GLAP- operational finance	97	-	(97)	-	-
	LLDC	493	-	7	-	499
	OPDC ¹	48	-	-	-	48
	London Power Company	1	-	-	-	1
	LTL (regulatory capital)	1	-	-	-	1
Totals		3,910	129	-	33	4,072

¹ Table total may not sum due to rounding.

² Total GLAP investment is shown net of GLA financing to avoid double counting.

³ Housing and Land: Land Fund includes a £50m loan to OPDC