

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3492

Funding of St Ann's Hospital and North Middlesex University Hospital and GLAP Capital Structure Update

Executive Summary:

GLA Land and Property Limited (GLAP) acquired the St Ann's Hospital and North Middlesex University Hospital sites in March 2018 and March 2019 in pursuit of the GLA's housing strategy. The acquisitions were initially financed through GLA-provided capital loans and GLAP's internal cash, with the option to fund the purchases from the Ministry of Housing, Communities and Local Government (MHCLG) Land Fund (Land Fund). In recognition that these sites were an addition to GLAP's activities, as required by the GLA, this decision proposes the GLA applying a combination of Land Fund resources and revenue resources to fund the sites' residual acquisition costs via purchasing £44.3 million of share capital issued by GLAP.

The transaction uses a routine capital financing opportunity to modify GLAP's capital structure in the context of its business activities, and thereby support wider regeneration work.

Land Fund (capital) resources of £39.0 million will be applied, reflecting the residual capital cost of St Ann's Hospital and North Middlesex University Hospital, together with a one-off revenue contribution of £5.3m matching the amount of interest foregone on GLAP's internal cash balances used to part-finance the acquisitions since 2018. Consequently the investment is fully funded and has no Minimum Revenue Provision (MRP) or borrowing implications. The revenue impact, materially reflected in the GLA's budget, stems from moving cash-backed resources from the GLA to GLAP, reducing investable balances.

The initial equity investment will be made into Greater London Authority Holdings Limited (GLAH), followed by a back-to-back £44.3 million equity injection from (GLAH) into GLAP, effective from 1 April 2026.

Decision:

That the Mayor approves:

- a) the issue of £44.3 million of shares in GLA Holdings Limited for allocation of those shares to GLA for the sum of £44.3 million
- b) the GLA's purchase of the £44.3 million of shares in GLA Holdings Limited (identified above) for the sum of £44.3 million
- c) the issue of £44.3 million of shares in GLA Land and Property Limited for allocation of those shares to GLA Holdings Limited for the sum of £44.3 million
- d) the purchase by GLA Holdings Limited of £44.3 million of shares in GLA Land and Property Limited (identified above) for the sum of £44.3 million
- e) the application of £39.0 million Land Fund resources and £5.3m revenue resources to fund the above transactions.

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:

27/6/20

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

Decision required – supporting report

1. Introduction and background

GLAP general background

- 1.1. GLA Land and Property Limited (GLAP) is a wholly owned subsidiary of Greater London Authority Holdings Limited (GLAH) which is wholly owned by the GLA.
- 1.2. GLAP's purpose is the management of land and property to facilitate the Mayor's housing and regeneration policies. Management of land may include purchase, sale and development of land or property, and the holding of land or property for capital growth or rental.
- 1.3. GLAP was setup to conduct commercial transactions relating to the development of land on behalf of the GLA. It also holds assets for rent, which are managed by a third party on behalf of GLAP. It is an independent limited company, subject to company law and Corporation Tax, to prevent the GLA from incurring a commercial advantage over other commercial development companies when developing land.

Current GLAP capital base

- 1.4. GLAP's current capital structure (as at 31 March 2026) is comprised of £318.1 million debt owed to the GLA. Outstanding debt includes £215.0 million of the sums recognised on GLAP's foundation (the foundation loans) and £103.1 million in relation to GLA-provided finance for loans made to third parties by GLAP on behalf of the GLA as the GLA's commercial subsidiary (operational finance).
- 1.5. The balance of operational finance at any one time is equivalent to GLAP's outstanding loan investments to third parties whereas the foundation loans represent a core capital base supporting GLAP operations.
- 1.6. The interest cost of the operational loans is funded by the third parties to whom the money is lent. The interest cost of the foundation loan core funding is a direct cost to GLAP.
- 1.7. The outstanding foundation loan debt is due to mature gradually over the next four years (2027-2031), which provides an opportunity to optimise GLAP's capital structure to ensure GLAP maintains an appropriate mix of equity and debt financing, enabling it to pursue its business plan and deliver the GLA's housing objectives.

St Ann's Hospital and North Middlesex University Hospital background

- 1.8. In March 2018, GLAP acquired the St Ann's Hospital (SAH) site in Haringey owned and managed by Barnet, Enfield and Haringey Mental Health Trust (the Trust) covering 11.24 hectares. In accordance with Mayoral Decision MD2207, the Executive Director of Housing and Land approved the use of the Mayor's Land budget for the acquisition. The residual cost to GLAP that needs to be funded from the Land Fund is less than the original acquisition cost after taking account of capital receipts in relation to the scheme received and due in 2026-27: SAH was acquired at an original cost of £55.7 million in the 2017-18. Total actual and expected capital receipts arising from the management of the acquisition are valued at £34.5 million resulting in a residual cost of £21.2 million before considering financing costs.
- 1.9. In March 2019, GLAP acquired 1.37-hectare site on Bridport Road in the southeast corner of Middlesex University Hospital (NMUH) in accordance with Director Decision DD2332 which approved a two-stage acquisition strategy with another 0.4 hectares of the land to the north of the existing Bridport Road referred to as an adjacent car parking site acquired in January 2021. NMUH was acquired at an initial cost of £13.4 million and further acquisition costs of £4.3 million

were incurred in 2022-23, resulting in a total acquisition cost of £17.8 million (rounded) before considering financing costs. There are no capital receipts arising from NMUH.

- 1.10. The acquisition of NMUH was in part financed via an interest-free loan facility provided by the GLA for the value of £13.7 million (which remains part of the GLAP's outstanding operational finance debt, referred to at paragraph 1.7 above).
- 1.11. The remainder of the NMUH acquisition costs, and the full residual acquisition costs for SAH, have been financed to date from GLAP's own internal cash balances. The lost investment income that GLAP has incurred as a result is estimated at £5.3 million.
- 1.12. Therefore, the combined total of the residual acquisition cost for both sites (comprised of £21.2 million and £17.8 million in relation to SAH and NMUH, respectively) and £5.3 million interest income foregone is estimated at £44.3 million.
- 1.13. The acquisitions of both SAH and NMUH were non-commercial in nature and additional to GLAP's core, commercial purpose and therefore the GLA is entitled to fund the residual costs with appropriate capital resources.

Equity purchase and partial equity for debt swap

- 1.14. In recognition that these sites were an addition to GLAP's activities, as required by the GLA, this decision proposes that the GLA purchases equity issued by GLAP (via GLAH) of £44.3 million, representing the residual cost incurred by GLAP for the SAH and NMU site acquisitions. Purchasing equity will strengthen GLAP's balance sheet and support its role in enabling wider regeneration initiatives across London.
- 1.15. For the GLA, the equity investment is fully funded by the Land Fund and revenue resources and, as set out at paragraph 1.13 above, represents an appropriate use of capital resources to fund expenditure incurred on a non-commercial basis.
- 1.16. The initial equity investment would be made by the GLA into GLAH, the holding company of which GLAP is a subsidiary. The investment would be followed by a back-to-back equity investment of £44.3 million by GLAH into GLAP of £44.3 million. The decisions requested of the Mayor in this Mayoral Decision would, if approved, provide approval for these investment to proceed.
- 1.17. If this Mayoral Decision is approved, action would then need to be taken by GLAH to implement decisions (a) and (d) approved by the Mayor in this MD, and action would to be taken by GLAP to implement decision (c) approved by the Mayor in this MD. GLAH, GLAP and each Company Director is already authorised by 'Mayoral Decision-Making in the Greater London Authority' to implement approved GLA Decisions, subject to any contrary requirement under company law. Such implementing actions should be progressed in accordance with applicable company law processes and governance procedures, as appropriate.
- 1.18. Under the proposed transaction, the outstanding interest free loan in relation to NMUH valued at £13.7 million and repayable on demand will be repaid (i.e. this loan financing will be replaced with equity financing).

2. Objectives and expected outcomes

- 2.1. The application of immediately available capital funding resources available within the Land Fund fulfils the intention of the GLA and GLAP to fund the acquisitions of SAH and NMUH via Land Fund resources. It is appropriate to make use of this flexibility now in the context of the routine management of the GLAP's capital funding plans and now that residual funding requirements are clear.

- 2.2. The application of these capital funding resources via equity also creates the opportunity to bring about a more sustainable capital structure for GLAP, aligned to its business model and operating environment.
- 2.3. The prevailing capital structure, entirely based on loans, creates an unnecessary constraint on GLAP's activity should the terms of the loans be enforced. For example, to service debt GLAP may need to liquidate its non-cash assets should the debt repayment profile not match GLAP's cash generation. It may do so at an inopportune time, forgoing the opportunity to fully optimise financial outcomes (or other non-financial benefits and service-related objectives). In practice, it is likely that the GLA and GLAP would explore appropriate options for debt restructuring in such a scenario to avoid unnecessarily bringing about negative detriment to public finances. However, such an exercise would absorb governance resources and would ordinarily be limited in scope to the immediate scenario.
- 2.4. The creation of a share capital base within GLAP creates a more efficient arrangement but is also better suited to GLAP's operating environment, and the nature of the financial risks to which GLAP (and consequently the GLA) is exposed. A capital base of common equity will better enable GLAP to focus on maximising its business model and delivering the GLA's housing objectives.
- 2.5. This represents a clear advantage over alternative options including a simple transfer of cash to GLAP or new debt financing as it creates a permanent layer of enduring capital in the company.

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. The proposals have been reviewed and there are no direct public sector equality duty implications arising directly from this decision form.

4. Other considerations

Key risks and issues

- 4.1. Given equity is a long-term investment with no specific contractual timetable for returning interest and principal to the investor, the key risk related to the proposal to utilise the Land Fund for the purchase of SAH and NMUH via an equity transfer relates to whether and when the equity stake will be returned alongside any dividends.
- 4.2. GLAP's long term funding model will continue to be reviewed on a routine basis to respond to economic conditions in order to deliver a positive return over the long term. This will enable the GLA to maintain ongoing and adequate oversight over its capital investment.
- 4.3. Moreover, the creation of new flexibilities (for GLAP) around when it returns capital to the GLA does not amount to any effective cessation of control for the GLA: GLAP's decision making is fully integrated with that of the GLA and subject to GLA decision-making policies and procedures. GLAP is a GLA Managed Company for the purposes of the 'Mayoral Decision-Making in the Greater London Authority' document.

Links to Mayoral strategies and priorities

- 4.4. The provision of this funding for GLAP will enhance its ability to support the delivery of Mayoral strategies and in particular the Building More Homes programme.

Compliance with statutory guidance and investment strategy

- 4.5. The investment falls within section 12 of the Local Government Act 2003 and, for the purposes of the statutory guidance on Local Government Investments under section 15 of the Local Government Act 2003. This is a non-treasury investment for a service (i.e. not primarily for profit) purpose. It is also fully funded and recognised as capital expenditure.
- 4.6. The investment complies with the GLA's investment strategy (paragraph 6.61 of Appendix 2).

Conflicts of interest

- 4.7. There are no conflicts of interest for any officers involved in the drafting, review or approval of this decision.

5. Financial comments

- 5.1. The creation of £44.3 million equity capital amounts to a meaningful formal enhancement to GLAP's capital structure. The proposal will allow additional flexibility in the timing of GLAP's capital returns to the GLA in line with the progression of its development schemes, enabling GLAP to focus on optimising financial and non-financial outcomes.
- 5.2. The transaction creates revenue and cash flow implications (which are modest in the context of the GLA's budget and balance sheet size) between the GLA and GLAP, which are set out below for both the near and medium to longer term. On a consolidated basis there is no material net impact on cash or revenue flows.

Near-term financial implications

- 5.3. The application of £39.0 million capital resources from the Land Fund and £5.3 million revenue resources to fund the acquisitions of SAH and NMUH will involve a transfer of cash-backed resources from the GLA to GLAP, reducing the GLA's investable cash balances to a modest extent (albeit in the context of the GLA's very strong liquidity position). Therefore, a financial consequence of the transaction in the near term is a reduction in interest income revenue derived from investable cash balances for the GLA.
- 5.4. The estimated revenue cost arising from a reduction in interest revenue is £1.1 million for the full financial year 2026-27. This revenue impact is consistent with the GLA's assumptions around investment and borrowing balances for the purposes of estimating 2026-27 net interest budgets.
- 5.5. Accumulated interest foregone by GLAP because of its use of internal cash balances to finance SAH entirely and NMUH in part has been estimated at £5.3 million. As a result, the total funding due to GLAP from the GLA taking account of all relevant costs is £44.3 million (comprised of £21.2 million in relation to SAH's residual acquisition costs; £17.8 million in respect of NMUH; and £5.3 million financing costs).
- 5.6. The £5.3 million revenue contribution will be met from the GLA's Interest Smoothing reserve. Therefore, as the capital expenditure is funded, there is no impact on the authority's Minimum Revenue Provision budget.
- 5.7. Crucially, on a consolidated basis the transaction involves no revenue or cash flow consequences outside the organisation: revenue expenditure for the GLA equates to income for GLAP and net cash flows are nil.

Medium- to longer-term financial implications

- 5.8. Over the medium term the introduction of a permanent layer of common equity into GLAP's capital structure will reduce the managed company's reliance on loan financing to implement its business model and fulfil the GLA's housing and regeneration objectives.
- 5.9. The introduction of longer-term capital also increases GLAP's ability to service its debt obligations. As existing debt matures over the medium term, a greater proportion of GLAP's capital structure will comprise of equity, rather than debt, capital.
- 5.10. In aggregate terms, the financing relationship between GLA and GLAP will no longer solely comprise of contractual payments of interest and loan principal. Instead, the GLA will receive dividends distributed by GLAP to its common equity shareholders (solely the GLA) when possible. The GLA may also receive cash from GLAP (in exchange for either its entire or a portion of its equity interest) in future in the event that GLAP is wound up or if a share buyback is agreed.
- 5.11. Although the GLA is thus gradually replacing a nominally predictable series of cash flows for a less predictable one, and modifying the risk-sharing arrangement between the GLA and GLAP, there is no cash flow or risk-balance impact on the consolidated GLA/GLAP position.
- 5.12. Corporation tax is payable on profits after interest but before dividends, so the cost of loan capital is in theory more tax efficient than the cost of share capital. However, the tax reduction available would be limited to £0.5 million and corporation tax is only paid on profit so the impact of using equity rather than loan financing is outweighed by the benefits outlined.
- 5.13. In the longer term, and given GLAP's purpose, there is a reasonable probability that, even once outstanding loans are repaid, the GLA will seek to recapitalise GLAP with new capital to implement the GLA's long-term housing strategy. Equity funding will also remove the need for repetitive exchanges of capital between the GLA and GLAP, greatly reducing the associated (unnecessary) governance burden. Given the housing strategy, the GLA can reasonably expect to have a portion of its financial capital of at least £44.3 million deployed in service of delivering affordable housing.
- 5.14. Finally, GLAP's standalone creditworthiness benefits from reduced gearing (namely a lower reliance on debt financing). This would, all else equal, have a positive impact on the calculation of the GLA's minimum revenue provision due on any future unfunded capital loans advanced by the GLA to GLAP.

6. Legal comments

- 6.1. Under section 30 of the Greater London Authority Act 1999 (the GLA Act), the GLA has the power to do anything which it considers will further any one or more of its principal purposes. The principal purposes of the GLA are a) promoting economic development and wealth creation in Greater London, b) promoting social development in Greater London, and c) promoting the improvement of the environment in Greater London. Section 34 of the GLA Act provides that the GLA, acting by the Mayor, may do anything (including the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the GLA which includes the power set out in section 30.
- 6.2. Under section 34A of the GLA Act, and the GLA (Specified Activities Order) 2013/973, the GLA may only carry on certain activities through a subsidiary company, including the management and exploitation of land on a commercial basis with a view to the realisation of a profit in connection with the GLA's housing, regeneration and economic development functions under the GLA Act 1999.
- 6.3. In addition, under section 12 of the Local Government Act 2003 the GLA may make an investment (a) for any purpose relevant to its functions under any enactment, or (b) for the purposes of the prudent management of its financial affairs.

- 6.4. As set out above, in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties including to ensure that:
- appropriate arrangements are made with a view to securing that, in the exercise of the section 30 power by the Mayor, there is due regard to the principle that there should be equality of opportunity for all people
 - the Mayor exercises the section 30 power in a way which is best calculated to promote improvements in the health of persons in Greater London, promote the reduction in health inequalities between persons living in Greater London, and to contribute towards the achievement of sustainable development in the United Kingdom
 - there is consultation with bodies or persons who may be considered appropriate in this case.
- 6.5. In taking the decisions requested, the Mayor must comply with the Public Sector Equality Duty; under section 149 of the Equality Act 2010. To this end, the Mayor should have particular regard to section 3 above of this report.
- 6.6. Under Part B (Reserved Mayoral Matters) of Mayoral Decision-Making in the Greater London Authority, section 2 of Appendix 1 specifies that the GLA acquiring interests in any company or other corporate body is a matter reserved to the Mayor. Therefore, the decision to make the proposed investment in GLAH is a matter reserved to the Mayor.
- 6.7. Under Part F (The GLA's Companies and their delegations) of Mayoral Decision-Making in the Greater London Authority, GLAH and GLAP are classed as 'GLA-Managed Companies' and decisions by those subsidiary companies must be taken by means of the appropriate GLA decision form. Therefore, the issuing and allocation of £44.3 million of shares in both GLAH and GLAP, and the acquisition by GLAH of £44.3 million of shares in GLAP are decisions for the Mayor.
- 6.8. Under Mayoral Decision-Making in the GLA, section 13.1, GLAH and GLAP and each Company Director is authorised to implement approved GLA Decisions, subject to any contrary requirement under company law. Such implementing actions should be progressed in accordance with applicable company law processes and governance procedures, as appropriate.

7. Planned delivery approach and next steps

- 7.1. Should the decision be approved the Chief Financial Officer will undertake the necessary steps to ensure the transactions are recorded accurately in the GLA, GLAH's and GLAP's financial accounts and will prepare formal documentation to effect the approved decisions.
- 7.2. The proposals better align GLAP's capital structure to its underlying activities, strengthening its balance sheet and supporting its role in enabling wider regeneration initiatives across London. Further modifications to the structure may result from routine monitoring of GLAP's financial position and a further exercise will be undertaken later in 2026-27 following a wider review of GLAP's long term business objectives to ensure the capital structure continues to remain appropriate.

Appendices and supporting papers:

None.

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:

James Graham has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Fay Hammond 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.

✓

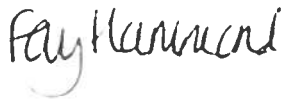
Mayoral Delivery Board

This decision was agreed by the Mayoral Delivery Board on the 8 June 2026.

CHIEF FINANCE OFFICER:

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

Date 8 June 2026



Signature

CHIEF OF STAFF:

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

Date 8 June 2026



Signature