

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2572

Title: GLA 2018/19 Treasury Management Outturn & 2019/20 Mid-Year Report

Executive Summary:

This decision outlines the Greater London Authority's investment activities for the financial year ending 31 March 2019 as well as activities for mid-year to 30 September 2019.

The report is submitted in accordance with a requirement under the Treasury Management in the Public Services Code of Practice (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which requires the submission of an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed during the reporting period.

Decision:

That the Mayor notes the following:

- the Treasury Management activities and the performance against its benchmark in the year 2018/19 and first half of the 2019/20 financial year;
- the balance of investments as at 31 March 2019 and 30 September 2019;
- the outstanding loan balances as at 31 March 2019 and 30 September 2019;
- the acquisition of London Treasury Limited (LTL) by the GLA; and
- that all Treasury activities in the reporting period have been within the boundaries and levels set by the Authority.

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:

14/1/20

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

Decision required – supporting report

1. Introduction and background

1.1. The purpose of this Decision Form is to note:

- both borrowing and investment activities of the treasury function under delegated authority for the financial year 2018/19 and mid-year to 30 September 2019;
- the 2018/19 Treasury Outturn performance against the Treasury Management Strategy Statement (TMSS) approved under MD2274 (amended under MD2445);
- the 2019/20 mid-year performance against the Treasury Management Strategy Statement (TMSS) approved under MD2458; and
- the acquisition of London Treasury Limited (LTL) by the GLA approved under MD2303.

1.2. No action arises from this decision, unless the Mayor wishes to raise any issues or provide feedback on the information contained herein.

2. Summary of performance

2.1. Returns on cash balances for the financial year 2018/19 equated to £19.79m, against a Treasury Budget of £13m, an outperformance of 34.0% in 2018/19. In 2019/20, the mid-year return was £14.98m against a half year budget of £6.85m.

2.2. Investment balances for the GLA were £2,772.25m as at 31 March 2019 and £3,488.27m as at 30 September 2019.

2.3. The debt portfolio increased from £3,798.04m at the start of 2018/19 to £4,255.12m at the end of the year. It then increased to £4,726.31m at 30 September 2019.

2.4. All treasury management activities were carried out in accordance with the approved Treasury Management Strategy Statement (TMSS).

2.5. During 2018/19:

- the GLA acquired a Financial Services Market Act 2000 authorised subsidiary company called London Treasury Limited (LTL) (MD2303); and
- the TMSS was amended in Q4 of 2018/19 (MD2445).

3. Equality comments

3.1. Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.

3.2. There are no direct public sector equality duty implications arising directly from this report.

4. Other considerations

Key risks and issues

- 4.1. Increasing the level of borrowing is a key risk. The GLA entered into a loan agreement for a total of £1.3bn with the Department for Transport (DfT) as part of the funding for Crossrail Limited's cost overruns identified in December 2018. A total of £728m was drawn from the amount during the reporting period.

Links to Mayoral strategies and priorities

- 4.2. Effective management of long-term financing is key to the delivery of the Mayor's capital spending plans, in particular funding obligations in respect of Crossrail and the Northern Line Extension.
- 4.3. Effective and prudent cash management is essential to protect the GLA against loss of capital and ensure adequate liquidity to meet spending obligations and aspirations.

5. Financial comments

- 5.1. Financial considerations are addressed throughout the report.

6. Legal comments

- 6.1. Part 1 of the Local Government Act 2003 introduced a new statutory regime to regulate the borrowing and capital expenditure of local authorities. Section 23(1)(d) and (e) provides that the Greater London Authority (GLA) and the functional bodies are local authorities for this purpose.
- 6.2. Section 3(1) of the 2003 Act provides that all local authorities are to determine and keep under review how much money they can borrow. Section 3(2) of the Act is more specific in relation to the Mayor and functional bodies by providing that the determination is to be made by the Mayor following consultation with the Assembly, in the case of the GLA, or the relevant functional body. As a result, borrowing limits could be changed in-year, as well as at the start of financial years. Under section 1 of that Act the GLA and the functional bodies may borrow money for any purpose relevant to their functions under any enactment or for the purposes of the prudent management of their financial affairs.
- 6.3. Under section 12 of that Act the GLA, functional bodies and London Boroughs as local authorities may invest for the purposes of the prudent management of their financial affairs.
- 6.4. Under section 127 of the Greater London Authority Act 1999 the Authority has a duty to make arrangements for the proper administration of its financial affairs. Responsibility for the administration of those affairs lies with the Executive Director of Resources as the statutory chief finance officer of the Authority under section 127(2)(b) of the Act. The management of the Authority's treasury function and the development and monitoring of the treasury strategy fall within this responsibility of the chief financial officer.
- 6.5. Section 401A (2) of the Greater London Authority Act 1999, as amended, permits a shared service arrangement, by providing that any 'relevant London authority' (as defined in the GLA Act 1999) may enter into arrangements for the provision of administrative, professional or technical services by any one or more of them to any one or more of them, whether for consideration or otherwise. This enables the GLA, the Functional Bodies and the LPFA to delegate the professional, technical and administrative functions involved in treasury management to the GLA and for them all to jointly participate in the GLA Group Investment Syndicate (GIS) and London Strategic Reserve (LSR) under their common powers to borrow and invest for the prudential management of their financial affairs.

- 6.6. Although London Boroughs are not covered by section 401A, they and the GLA are local authorities for the purposes of the Local Authorities (Goods and Services) Act 1970. As a result, the GLA may provide the same professional, technical and administrative functions involved in treasury management to boroughs, who also share the same investment and borrowing powers.
- 6.7. However, the Local Authorities (Contracting Out of Investment Functions) Order 1996 requires that Local Authorities may only contract with a Financial Services and Markets Act 2000 authorised firm in respect of certain investment functions. The GLA's authorised and regulated subsidiary, LTL, may provide those functions that the GLA itself may not. LTL therefore manages investments into the LSR pooled investment arrangement and GIS, including on behalf of the GLA and as applicable, London Boroughs.

7. Planned delivery approach and next steps

- 7.1. The Decision Form is for the Mayor to note the Treasury Management activities over the reporting period.

Appendices and supporting papers:

Appendix 1: GLA Treasury Management 2018/19 Outturn and Mid-Year Report 2019/20

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

Until what date: (a date is required if deferring)

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoI Act 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:

Feyi Adekugbe has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

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

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 13 January 2020.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Clarke

Date

13.1.20

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

13/1/2020.

