

GREATER **LONDON** AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2365

Title: London Treasury Limited share capital

Executive summary

Further to MD2303, the GLA has acquired London Treasury Limited ("LTL"). As a result, LTL is now a wholly owned subsidiary of Greater London Authority Holdings Limited ("GLAHL"). In order for LTL to obtain permission from the Financial Conduct Authority ("FCA") to carry out its envisaged services for the GLA and other Local Authorities, LTL must hold sufficient regulatory capital, preferably ordinary share capital. The increase in required share capital is £124,900. LTL's Articles of Association require Mayoral consent to any issue of new shares.

Decision

The Mayor approves the issue of new ordinary shares by London Treasury Limited to the value of £124,900 to be allotted to Greater London Authority Holdings Limited only.

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:

27/9/17

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

Decision required – supporting report

1. Introduction and background

- 1.1. MD2303 approved the acquisition through Greater London Authority Holdings Limited (GLAHL) of London Treasury Limited (Company Number 11035820 in the register of England and Wales) (LTL) in order to provide the GLA with the ability to conduct investment management and related functions with authorisation under the Financial Services and Markets Act 2000 ("FSMA").
- 1.2. The principal purpose of this acquisition was to enable London Boroughs to collaborate with the GLA on treasury matters including shared services and co-investment, and to provide increased assurance to the GLA as a result of investment and advice functions operating under Financial Conduct Authority (FCA) supervision.
- 1.3. Local authorities outside the GLA group may not delegate certain functions except to FSMA authorised entities, therefore LTL fulfils this role while the GLA continues to manage those shared service aspects that do not require such authorisation.
- 1.4. LTL currently operates as an Appointed Representative of another authorised firm, Disruptive Capital Finance LLP, while LTL's application for authorisation in its own right is being processed. This Appointed Representative arrangement will end once LTL's authorisation is granted.
- 1.5. The FCA administers the application of the FSMA and requires that authorised firms maintain certain levels of first loss capital (most simply and transparently, ordinary share capital) in order to demonstrate financial resilience appropriate to the authorised activities they conduct. For LTL, £125,000 has been assessed as adequate. LTL's current share capital is £100, so approval to issue ordinary share capital to GLAHL to the value of £124,900 is sought.
- 1.6. The proceeds of the share issue will be invested by LTL in UK government securities or bank accounts with counterparties on the GLA's lending list. Any interest earned will reduce the net cost of operations that LTL recharges to the GLA.

2. Objectives and expected outcomes

- 2.1 LTL expects to obtain its own FSMA authorisation permissions on presentation of proof of funds to the FCA.

3. Equality comments

- 3.1 None.

4. Other considerations

- 4.1 Shared services and collaboration across the GLA Group and wider London local government is a Mayoral priority.

5. Financial comments

- 5.1 Since LTL will not expect to spend the amounts raised, rather invest them as ongoing proof of financial strength; and since GLAHL and LTL are ultimately wholly owned by the GLA, and the GLA will continue to benefit from any interest earned on the sum in question, this transaction will have no impact whatsoever on the GLA's consolidated financial position. For the GLA's individual accounts

perspective, the loan to GLAHL will be treated as capital expenditure under the The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

- 5.2 This will be funded from the contingencies available across the GLA budget, in line with normal practice.
- 5.3 More widely, this will enable the GLA to work with a greater range of Local Authorities and therefore share the costs relating to LTL and the Group Treasury function over a wider set of participants.

6. Legal comments

- 6.1 The GLA's principal purposes, under section 30 of the Greater London Authority Act 1999 (GLA Act), are to promote economic development and wealth creation, promote social development, and the improvement of the environment, all in Greater London. The GLA has power to do anything which it considers will further any one or more of its principal purposes. The investment activities of LTL fall within these principal purposes.
- 6.2 Under section 34(1) the GLA may do anything it considers will facilitate or is conducive or incidental to the exercise of the section 30 principal purposes. Sections 30 and/or 34, together with section 12 of the Local Government Act 2003 (power to invest for any purpose relevant to functions) provide the legal powers for the GLA to acquire further share capital in LTL, a newly wholly owned subsidiary of the GLA.
- 6.3 Article 21(1) of the recently approved new Articles of Association of LTL require that the Mayor provides written approval in respect of any share issue of LTL. This mayoral decision seeks such approval.

7. Planned delivery approach and next steps

The intended transaction sequence is as follows:

- LTL allots shares to 12,490,000 ordinary shares to GLAHL (LTL Directors' resolution);
- GLAHL subscribes to 12,490,000 ordinary shares at par (£0.01) (Directors' resolution of GLAHL);
- The GLA agrees an interest free loan to GLAHL for £124,900 (Made under the Executive Director of Resources' delegated authority for treasury management arrangements with GLAHL directors resolution to accept);
- GLA pays the loan proceeds directly to LTL, satisfying GLAHL's subscription (no decisions required, 'funds flow' accounting treatment); and
- LTL shows bank statement to FCA as proof of funds, then invests funds as prescribed.

These steps may be enacted immediately on receipt of mayoral consent.

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.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason: Until MD2303 is published (for reasons of commercial confidentiality).

Until what date: As MD2303.

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:

Luke Webster has drafted this report in accordance with GLA procedures and confirms the following:

✓

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 17 September 2018

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Bellamy

Date

17.9.18

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

17/9/2018.