

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2645

### Title: GLA's Financial Outturn for 2019-20

#### Executive Summary:

This decision form sets out the Greater London Authority's (GLA) Financial Outturn for the financial year 2019-20, including details of transfers to and from earmarked reserves for Mayoral approval. It comments on the financial results and variances at a high level for the year.

The decision form also requests approval for budgeted expenditure related to the London Power Co. Limited to be provided to the Company as a loan, rather than being directly incurred from GLA funds.

#### Decision:

That the Mayor:

1. notes the financial outturn for 2019-20 set out in this decision, including details of transfers to and from earmarked reserves;
2. approves a loan on commercial terms from the GLA to London Power Co. Limited, a subsidiary of GLA Holdings Limited, of £1.1m to fund costs related to London Power Co.'s activities, with approval of the loan terms delegated to Executive Director of Resources; and
3. approves the creation of two new earmarked reserves as set out in this decision.

#### 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:

12/8/20

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

### Decision required – supporting report

#### 1. Introduction and background

- 1.1. This decision form sets out the Greater London Authority (GLA) financial outturn for 2019-20, including details of transfers to and from earmarked reserves for Mayoral approval, as well as a proposal for two new earmarked reserves.
- 1.2. This decision also requests approval for the loan of £1.1m from the GLA to the London Power Co. Limited, a subsidiary of GLA Holdings Limited to fund costs incurred by the London Power Co Limited.
- 1.3. In terms of financial outturn, the summary position is:
  - a revenue underspend of £5.5m on directorates (the comparable figure for 2018-19 was an underspend of £4.0m);
  - a revenue underspend of £4.4m on corporate items (the comparable figure for 2018-19 was an underspend of £4.2m); and
  - an acceleration of spend of £96.4m on capital programmes (the comparable figure for 2018-19 was an acceleration of spend of £378.3m).

#### Revenue

- 1.4. Overall there was a net underspend of £9.9m against the revised revenue budget of £396m (2.5%) of which £5.5m related to directorate budgets and £4.4m related to corporate budgets. The most significant directorate variances were:
  - a £3m underspend due to the Covid-19-driven postponement of the EURO 2020 football tournament, in which London was due to host a significant number of fixtures;
  - a £2m underspend on the Greener City Fund relating to tree planting programmes which slipped due to planting delays caused by bad weather; and
  - various other smaller and largely offsetting variances, more detail of which is set out in Appendix 1.
- 1.5. The most significant corporate variances were:
  - £23m of additional investment interest generated. This reflects effective cash management within strict risk parameters and includes the benefits of cash pooling arrangements where short-term cash balances are invested through the GLA Group Investment Syndicate (GIS) as well as balances invested independently of the GIS which are available for longer term investment; and
  - a £6m reduction in the anticipated use of reserves and contingency; offset by
  - £24m of additional revenue spend on capital projects, including £17m on the East Bank project at the London Legacy Development Corporation (LLDC), £4m on technology and infrastructure projects at City Hall; and £3m on Environmental projects.

#### Capital

- 1.6. The GLA's Capital Programme spent £96m (4.7%) more than the 2019-20 revised capital strategy, primarily as a result of:

- £118m over-delivery in the affordable housing programme to support an increased number of affordable housing starts on site this year (17,256 in total); and
- £84m acceleration of spend on Crossrail, due to Transport for London (TfL) drawing down a higher contribution than originally budgeted for reflecting a faster pace of spend by Crossrail Limited on the Elizabeth line; offset by
- £72m slippage on LLDC loan and capital expenditure, arising mainly from a reduction on the loan required by LLDC due to slippage on their development projects; and
- £34m slippage on Northern Line Extension (NLE), due to TfL drawing down a lower contribution than forecast, reflecting the timing and phasing of TfL's drawdown from the GLA.

#### Reserves

1.7. As a result of the financial performance for the year and changes in respect of GLA Group items, there was an increase of £20m in General Fund Reserves from £711m to £731m (comprising a General Fund balance of £10m and earmarked reserves of £721m). There are two proposed new reserves:

- Covid-19 (£9m), funds received from the Government shortly before the year end to support activities arising due to the Covid-19 pandemic, which were assigned in April 2020 (MD2627); and
- Royal Docks Enterprise Zone (£4m) to manage the funding flows of the Royal Docks Programme, which is a joint initiative between the GLA and the London Borough of Newham to develop the Royal Docks area in the east of London.

1.8. Other significant reserves comprise:

- Strategic Investment Fund (£158m) exists to support the Mayor's commitment to spend additional income generated from the London business rates retention pooling arrangements in 2018/19 on strategic investment projects which will contribute to the sustainable growth of London's economy;
- LLDC Capital Funding (£145m) provides a source of funding for revenue grants to LLDC for the financing of future LLDC capital expenditure;
- Business Rates (£143m) manages the special risk to which the GLA is exposed as a result of the timing and the potential quantum of changes to the council tax base, retained business rates, collection fund shares and grant settlements;
- Revenue Grants Unapplied (£60m) includes grants that have been received in advance of the expenditure being incurred;
- Capital Programme (£51m) provides a source of funding for potential capital projects which fall outside of the Government funded schemes and reduces the need for further borrowing;
- Directorate Programme (£43m) represents accumulated underspends and the budgets are carried forward to fund projects that have been delayed;
- Young Londoners Fund (£27m) supports the Mayor's programme to help children and young people to fulfil their full potential, particularly those at risk of getting caught up in crime;
- Development Corporation (£23m) exists to meet spend in the Mayoral Development Corporations;
- Major Events (£15m) represents sums set aside to build up resources for future events;

- Election (£13m) exists to fund the Mayor and Assembly elections when they fall due every four years; and
- New Museum of London project (£12m) represents accumulated GLA financial commitments for the building of the New Museum of London.

#### Loan to London Power Co. Limited

- 1.9. The GLA had set aside within the Environment Unit's revenue budget £1.639m in 2019-20 to support the work associated with the preparation, set up and launch of London Power Co. Limited as a company.
- 1.10. Following a review of the transactions and advice from the Chief Accountant and the GLA's external auditor, some of the costs that have been budgeted for and expensed within the GLA should transfer to London Power Co. Limited as they are directly attributable to the operation of the Company, including the promotion of activities to help generate revenues.
- 1.11. Costs that were originally budgeted for within the GLA that need to transfer to London Power and require financing total £1.1m. These costs relate mainly to marketing to drive customer acquisition. This decision form requests approval for the funding that would have met these costs within the GLA, to be used for a loan of £1.1m from the GLA to the London Power Co. Limited to fund the costs there. The loan may be converted to equity at a later date, but that conversion will be subject to a separate decision should it occur.
- 1.12. The loan was recorded in the 2019-20 financial statements through a journal entry. There will not be a cash payment.

## **2. Objectives and expected outcomes**

- 2.1. The objective of the decision is to report the outturn for the financial year 2019-20.

## **3. Equality comments**

- 3.1. Under Section 149 of the Equality Act 2010, as a public authority, the GLA must have 'due regard' of the need to:
  - 3.1.1 eliminate unlawful discrimination, harassment and victimisation; and
  - 3.1.2 advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.
- 3.2. In line with the Mayor's Inclusive London Equality, Diversity and Inclusion Strategy, the 2019-20 expenditure included a wide range of measures which had positive equalities outcomes, particularly for Londoners who face disadvantage, unfairness or discrimination. Expenditure which had positive impacts on equalities included:
  - significant commitments on affordable housing;
  - work with employers and others to ensure that London's economy is fair and inclusive, including through the Good Work Standard and promotion of the London Living Wage, as outlined in the Mayor's Economic Development Strategy;
  - supporting skills development, including through the devolved Adult Education Budget (AEB) and apprenticeships;
  - giving young people the best chances by investing in London's further education sector and supporting a wide range of programmes across London through the Young Londoners Fund;

- the promotion of volunteering as a path to acquiring skills and accessing new employment opportunities;
- an expanded social integration programme that includes reducing inequality and tackling the specific barriers faced by some groups of Londoners as a key component;
- work to reduce health inequalities, in line with the Mayor's Health Inequalities Strategy, including new partnerships and support for action across the full range of the GLA's work; and
- identifying and implementing actions to make further progress in reducing gender and ethnicity pay gaps within the GLA, including by further improving our recruitment and talent management practices.

#### **4. Other considerations**

- 4.1. The expenditure over the year assisted in the implementation of most of the Mayor's strategies.
- 4.2. There are no conflicts of interest to note from those involved in the drafting or clearance of this decision form.

#### **5. Financial comments**

- 5.1. Financial issues are integral to this decision form.

#### **6. Legal comments**

- 6.1. Sections 1 to 4 of this report indicate that the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment, all in Greater London and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's statutory duties to:
  - pay due regard to the principle that there should be equality of opportunity for all people; and
  - consult with appropriate bodies.
- 6.2. In taking the decisions requested, as noted in section 3 above, the Mayor must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010, namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.3. Officers must consider appropriate terms and ensure documentation is put in place in relation to the loan to the London Power Co. Limited.

#### **Appendices and supporting papers:**

Appendix 1 – 2019-20 revenue outturn

Appendix 2 – 2019-20 capital outturn

**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:**

Paul Middlemas has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

David Gallie 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 20 July 2020.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

D. Gallie

23 July 2020

**CHIEF OF STAFF:**

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

**Signature**

**Date**

D. Bellamy

20 July 2020