



Investment Committee

Date: TUESDAY, 21 MAY 2024
Time: 2.00 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:

Deputy Randall Anderson	Deputy Madush Gupta
Shahnan Bakth	Steve Goodman OBE
Nicholas Bensted-Smith	Deputy Christopher Hayward (Ex-Officio Member)
Claudine Blamey (External Member)	Deputy Andrien Meyers
Deputy Keith Bottomley	Deputy James Thomson
David Brooks Wilson (External Member)	Philip Woodhouse
Deputy Henry Colthurst (Ex-Officio Member)	
Deputy Simon Duckworth OBE	
DL	

Enquiries: Ben Dunleavy
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Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

3. **ORDER OF THE COURT**

To receive the Order of the Court of Common Council dated 26 April 2024 appointing the Committee and setting its Terms of Reference.

For Information
(Pages 7 - 8)

4. **ELECTION OF CHAIR**

To elect a Chair in accordance with Standing Order 29.

For Decision

5. **ELECTION OF DEPUTY CHAIR**

To elect a Deputy Chair in accordance with Standing Order 30.

For Decision

6. **CO-OPTION OF MEMBERS**

To co-opt up to two Members from the Court of Common Council for the 2024/25 civic year, as per the Committee's terms of reference.

For Decision

7. **MINUTES**

For Decision

a) Minutes of the meeting of 12 February 2024 (Pages 9 - 14)

To approve the public minutes and non-public summary of the meeting held on 12 February 2024.

b) Minutes of the meeting of 22 March 2024 (Pages 15 - 18)

To approve the public minutes and non-public summary of the special meeting held on 22 March 2024.

8. **FORWARD PLAN**

To receive the Committee's Forward Plan.

For Information
(Pages 19 - 20)

9. **RISK REGISTER UPDATE FOR INVESTMENT COMMITTEE**

Report of the City Surveyor.

For Decision
(Pages 21 - 60)

10. **TREASURY MANAGEMENT UPDATE AS AT 31 MARCH 2024**

Report of the Chamberlain.

For Discussion
(Pages 61 - 82)

11. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

12. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

13. **EXCLUSION OF THE PUBLIC**

MOTION, that – under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act or relate to functions of the Court of Common Council which are not subject to the provisions of Part VA and Schedule 12A of the Local Government Act 1972.

For Decision

Part 2 - Non-Public Agenda

14. **NON-PUBLIC MINUTES**

a) Non-public minutes of the meeting of 12 February 2024 (Pages 83 - 88)

To approve the non-public minutes of the meeting held on 12 February 2024.

- b) Non-public minutes of the meeting of 22 March 2024 (Pages 89 - 92)
To approve the non-public minutes of the special meeting held on 22 March 2024.

15. **OCIO UPDATE ON STRATEGIC AND TACTICAL POSITIONING**

Report of the Chamberlain.

For Decision
(Pages 93 - 104)

16. **DRAWDOWN PROCESS**

Report of the Chamberlain.

For Decision
(Pages 105 - 112)

17. **ACQUISITION OF FERRONERS HOUSE**

Report of the City Surveyor.

For Decision
(Pages 113 - 136)

18. **DELEGATIONS REQUEST**

Report of the City Surveyor.

For Decision
(Pages 137 - 138)

19. **PERFORMANCE MONITORING**

- a) City's Estate Quarterly Monitoring Report (Pages 139 - 158)
Report of Mercer.

For Discussion

- b) Performance Monitoring to 31 March 2024: City's Estate (Pages 159 - 184)
Report of the Chamberlain.

For Discussion

20. **PRI 2023 ASSESSMENT UPDATE**

Report of the Chamberlain.

For Discussion
(Pages 185 - 198)

21. **CITY FUND, CITY'S ESTATE AND STRATEGIC PROPERTY ESTATE - ANNUAL VALUATION**

Report of the City Surveyor.

For Information
(Pages 199 - 202)

22. **ORACLE PROPERTY MANAGER (OPN) REPLACEMENT PROGRAMME (MRI HORIZON)**

Report of the City Surveyor.

For Information
(Pages 203 - 210)

23. **REPORT OF ACTION TAKEN**

Report of the Town Clerk.

For Information
(Pages 211 - 216)

24. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

25. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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Agenda Item 3

MAINELLI, Mayor	RESOLVED: That the Court of Common Council holden in the Guildhall of the City of London on Thursday 25 th April 2024, doth hereby appoint the following Committee until the first meeting of the Court in April, 2025
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INVESTMENT COMMITTEE

1. **Composition**

A Non-Ward Committee consisting of:

- Six Members of the Court of Common Council
- Two Members appointed by the Policy and Resources Committee
- Two Members appointed by the Finance Committee
- Up to Two Members to be co-opted from the Court by the Committee, with relevant experience
- the Chairman or a Deputy/Vice Chairman of the Policy and Resources Committee, or their nominee (from the Membership of that Committee) (ex-officio)
- the Chairman or Deputy Chairman of the Finance Committee or their nominee (from the Membership of that Committee) (ex-officio)
- Up to four co-opted External Members with relevant experience, with voting rights, appointed by the Committee.

2. **Quorum**

The quorum shall be five Common Council Members

3. **Membership 2024/25**

- 2 (2) Nicholas Michael Bensted-Smith JP
- 2 (2) Philip Woodhouse
- 2 (2) Andrien Gereith Dominic Meyers, Deputy *for three years*
- 2 (2) James Michael Douglas Thomson, Deputy *for three years*
- 2 (2) Randall Keith Anderson, Deputy *for two years*
- 2 (2) Simon D'Olier Duckworth OBE DL, Deputy *for two years*

Together with the Members and ex-officio Members referred to in paragraph 1 above, and the following co-opted External Members:-

Claudine Blamey
David Brooks Wilson
Vacancy
Vacancy

4. **Terms of Reference**

Investment Proportions

To inform the decision taken by the Resource Allocation Sub-Committee on the appropriate investment proportions between property and non-property assets.

Property

- a) To determine and approve management and investment matters relating to property within the City's Cash and City Fund in accordance with the management plans and investment strategies
- b) to acquire, manage or dispose of all City property within its remit;
- c) to determine specific property ownerships in accordance with policies established by the Policy and Resources Committee and the Court of Common Council in relation to the extent of properties to be held by the City of London Corporation for strategic purposes, including within the City itself;
- d) to report during the year to the Court of Common Council in relation to its activities and the overall performance of the investment property portfolios

Finance

- e) To approve the appointment of and to monitor the performance of investment managers of the following funds:
 - i. City's Cash
 - ii. Charities Pool
 - iii. Hampstead Heath Trust
 - iv. The Sir William Coxen Trust*Together with such other funds as are under the City of London Corporation's control;
- f) to review the investment strategy for the securities investments of City's Cash, Hampstead Heath Trust Fund, Sir William Coxen Trust* and the Charities Pool;

- g) to authorise investments and approve the overall parameters within which the investment fund managers will be authorised to operate;
- h) to invest all new monies in respect of the Charities Pool;
- i) to invest such other sums as are from time to time allocated for this purpose; and
- j) to monitor the activities of the Chamberlain in connection with his role as banker to the City of London Corporation.

* to oversee the investments of the Sir William Coxen Trust, reporting back and providing advice to the Committee of Aldermen to Administer the Sir William Coxen Trust Fund, which would then take any necessary decisions.

INVESTMENT COMMITTEE Monday, 12 February 2024

Minutes of the meeting of the Investment Committee held at Committee Rooms,
Guildhall on Monday, 12 February 2024 at 11.00 am

Present

Members:

Deputy Andrien Meyers (Chair)
Shahnan Bakth (Deputy Chairman)
David Brooks Wilson
Deputy Madush Gupta
Deputy Christopher Hayward
Deputy Randall Anderson
Deputy Henry Pollard
Deputy James Thomson
Philip Woodhouse

Officers:

Caroline Al-Beyerty	- The Chamberlain
Paul Wilkinson	- City Surveyor's Department
John James	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Sarah Port	- Chamberlain's Department
Andrew Cross	- City Surveyor's Department
John Galvin	- City Surveyor's Department
Graeme Low	- City Surveyor's Department
Robert Murphy	- City Surveyor's Department
Neil Robbie	- City Surveyor's Department
Kirpal Kaur	- City Solicitor's Department
Ben Dunleavy	- Town Clerk's Department

Also in attendance

Steve Turner	- Mercer
Charles Franklin	- Stanhope
James Horden	- Stanhope

1. APOLOGIES

Apologies for absence were received from Nick Bensted-Smith, Deputy Henry Colthurst, and Alderman Alison Gowman.

Deputy Henry Colthurst, Deputy Simon Duckworth and Paul Singh observed the meeting virtually.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

The Town Clerk noted Mr Brooks Wilson's standing declarations. There were no additional declarations.

3. **MINUTES**

The public minutes and non-public summary of the meeting held on 14 December 2023 were approved as a correct record.

4. **FORWARD PLAN**

Members received the Committee's forward plan.

5. **DRAFT HIGH-LEVEL BUSINESS PLAN 2023/24 - CITY SURVEYOR'S DEPARTMENT**

Members received a report of the City Surveyor concerning the departmental business plan.

At the request of Members, officers undertook to return with further information on income generation options.

RESOLVED, that – Members:

- a) Note the factors taken into consideration in compiling the City Surveyor's Departmental Business Plan; and
- b) Approve the departmental Business Plan 2024/25.

6. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY (RELATING TO TREASURY MANAGEMENT) 2024/25**

Members received a report of the Chamberlain concerning treasury management strategy.

A Member, also the Chairman of the Finance Committee, requested that officers consider a tripartite reporting approach for the Treasury Management Strategy, divided between City Fund, City's Estate and City Bridge Foundation.

RESOLVED, that – Members approve the Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 (Appendix 1) for submission to the Finance Committee and the Court of Common Council as part of the City Fund 2024/25 Budget Report for formal adoption.

7. **TREASURY MANAGEMENT UPDATE AS AT 31 DECEMBER 2023**

Members received a report of the Chamberlain providing a treasury management update.

RESOLVED, that – the report be received and its contents noted.

8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

9. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

There was no other business.

10. EXCLUSION OF THE PUBLIC

RESOLVED, that - under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act or relate to functions of the Court of Common Council which are not subject to the provisions of Part VA and Schedule 12A of the Local Government Act 1972.

11. NON-PUBLIC MINUTES

The non-public minutes of the meeting held on 14 December 2023 were approved as a correct record.

Matters arising

The Investment Property Director informed the Committee that a report would be submitted to the March meeting presenting Members with options on the future of Leadenhall Market.

12. NOTE OF THE INFORMAL SESSION

The note of the informal session held on 14 December 2023 was received and its contents noted.

13. ALL ESTATES - REVIEW OF METRICS USED IN MAKING MAJOR PROPERTY DECISIONS - 2ND TRIENNIAL REVIEW

Members received a report of the City Surveyor concerning property metrics.

14. CITY'S ESTATE - SALE OF SOUTH MOLTON STREET ESTATE

Members received a report of the City Surveyor concerning the sale of a freehold interest.

15. CITY FUND - REFURBISHMENT/EXTENSION OF 1-6 BROAD STREET PLACE AND 15-17 ELDON STREET

Members received a report of the City Surveyor concerning the early closure of a project.

16. DELEGATIONS REQUEST

Members received a report of the City Surveyor providing information on delegations sought between December and January.

17. PERFORMANCE MONITORING

17.1 City's Estate Quarterly Monitoring Report

Members received the Quarterly Monitoring report for Q4 2023; this report was produced by Mercer.

17.2 Performance Monitoring to 31 December 2023: City's Estate

Members received a report of the Chamberlain concerning performance monitoring to 31 December 2023.

18. **SIR WILLIAM COXEN TRUST FUND PERFORMANCE MONITORING TO 30 SEPTEMBER 2023**

Members received a report of the Chamberlain concerning the performance of the Sir William Coxen Trust Fund.

19. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 30 SEPTEMBER 2023**

Members received a report of the Chamberlain concerning the performance of the Hampstead Heath Trust and Charities Pool.

20. **CITY FUND & CITY'S ESTATE: INVESTMENT PROPERTY MONITORING REPORT**

Members received a report of the City Surveyor concerning City Fund and City's Estate.

Members agreed to extend the meeting under Standing Order 40.

21. **CITY'S ESTATE: 2024 INVESTMENT PROPERTY STRATEGY**

Members received a report of the City Surveyor concerning the Investment Property Strategy for City's Estate for 2024.

22. **CITY FUND: 2024 INVESTMENT PROPERTY STRATEGY**

Members received a report of the City Surveyor concerning the Investment Property Strategy for City Fund in 2024.

23. **REPORT OF ACTION TAKEN**

Members received a report of the Town Clerk concerning action taken between meetings.

24. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

25. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was no other business.

The meeting ended at 1.16 pm

Chairman

Contact Officer: Ben Dunleavy
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INVESTMENT COMMITTEE Friday, 22 March 2024

Minutes of the meeting of the Investment Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Friday, 22 March 2024 at 11.00 am

Present

Members:

Deputy Andrien Meyers (Chair)
Shahnan Bakth (Deputy Chairman)
Nicholas Bensted-Smith
Claudine Blamey
David Brooks Wilson
Deputy Madush Gupta
Deputy Randall Anderson
Deputy Henry Pollard
Deputy James Thomson
Philip Woodhouse

Officers:

Caroline Al-Beyerty	- The Chamberlain
Paul Wilkinson	- City Surveyor's Department
John James	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Sarah Port	- Chamberlain's Department
Andrew Cross	- City Surveyor's Department
Robert Murphy	- City Surveyor's Department
Leo Petty	- City Surveyor's Department
Neil Robbie	- City Surveyor's Department
Kirpal Kaur	- City Solicitor's Department
Ben Dunleavy	- Town Clerk's Department

Also in attendance

Deputy Timothy Butcher	
Alderman Robert Hughes-Penney	
Alderman Simon Pryke	
Charles Franklin	- Stanhope
James Horden	- Stanhope
Tony English	- Mercer

1. APOLOGIES

Apologies for absence have been received from Deputy Henry Colthurst, Alderman Alison Gowman, Deputy Christopher Hayward, and Paul Singh.

Deputy Simon Duckworth, Judith Pleasance and Paul Singh observed the meeting virtually.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
The Town Clerk noted Mr Brooks Wilson's standing declarations. There were no other declarations.
3. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.
4. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**
There was no other business.
5. **EXCLUSION OF THE PUBLIC**
RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.
6. **CITY FUND LEADENHALL MARKET - ASSET STRATEGY**
Members received a report of the City Surveyor concerning Leadenhall Market.
7. **FIVE YEAR INVESTMENT STRATEGY**
Before considering the report on the Statement of Investment Principles, the Chairman invited officers from the Investment Property Group to give a presentation on their 5 Year Investment Strategy.
8. **STATEMENT OF INVESTMENT PRINCIPLES (SIPS) FOR CITY FUND AND CITY'S ESTATE**
Members received a report of the Chamberlain concerning the statement of investment principles.
9. **INVESTMENT STRATEGY REVIEW - BELIEFS SURVEY RESULTS (CITY'S ESTATE FINANCIAL INVESTMENTS)**
Members received a report of the Chamberlain concerning the investment beliefs survey.
10. **TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT TO 31 MARCH 2023**
Members received a joint report of the Chamberlain and the City Surveyor concerning the Taskforce on Climate-Related Financial Disclosures.
11. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

12. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was no other business.

The meeting ended at 1.00 pm

Chairman

Contact Officer: Ben Dunleavy
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	21 ST May 2024	22 July 2024	7 October 2024	2 December 2024
Overall Investment Portfolio (Chamberlains and City Surveyors)	<p>City Surveyor’s & Chamberlain’s Department Risk Register for Investment Committee</p> <p>OCIO Update on Strategic and Tactical Positioning</p> <p>CE and CF Funding the Capital Drawdown – Proposed Process</p>	<p>Performance metrics</p>	<p>City Surveyor’s & Chamberlain’s Department Risk Register for Investment Committee Implementation progress</p>	
Investment Property	<p>Delegation Request</p> <p>Oracle Property Manager (OPN Replacement) / MRI Horizon</p> <p>City Fund, City's Estate and Strategic Property Estate – Annual Valuation report</p> <p>City Fund - London Wall West - Agreement with Ironmongers</p>	<p>Investment Strategy</p> <p>City’s Estate and City Fund: Rental Estimates Report (March Quarter)</p> <p>City Fund and City's Estate: Investment Property Monitoring report inc.</p> <ul style="list-style-type: none"> • <i>Vacant Accommodation Update</i> • <i>Delegated Authorities – Decisions as at 30th June</i> • <i>Rent Reviews/Lease Renewals report as at June Quarter Day</i> • <i>Arrears</i> <p>MSCI Annual Performance</p>	<p>City’s Estate and City Fund Rental Estimates Monitoring Report (June Quarter)</p> <p>Delegation Request</p>	<p>City Surveyor’s Department Risk Register</p> <p>City Fund and City's Estate: Investment Property Monitoring half yearly report, including:</p> <ul style="list-style-type: none"> • <i>Vacant Accommodation Update</i> • <i>Delegated Authorities – Decisions as at 30th September</i> • <i>Rent Reviews/Lease Renewals</i> • <i>Arrears</i> <p>City’s Estate and City Fund Rental Estimates Monitoring Report (September quarter)</p> <p>City Surveyor Revenue Budgets report Latest Approved 2024/25 and Original Estimates 2025/26</p>

		<p>City Surveyor Revenue Outturn 2023-24</p> <p>City Fund & City’s Estate Revenue Works Programme – 23/24 Progress (half yearly report)</p> <p>CSD Business Plan – 4th Quarter 2023/24 Progress Report.</p> <p>City Surveyor’s Department Risk Register – 4th Quarter Progress.</p> <p>Climate Action Dashboard</p> <p>Delegation Request</p>		<p>CSD Business Plan – 2nd Quarter 2024/25 Progress Report.</p> <p>City Surveyor’s Department Risk Register – 2nd Quarter Progress</p> <p>Climate Action Dashboard</p> <p>Delegation Request</p>
Financial Investments	<p>Performance Monitoring report for City’s Estate Investment as at 31 March 2024</p> <p>Quarterly Investment report from Mercer (Investment Consultant)</p> <p>PRI 2023 Assessment Update</p>	<p>Performance Monitoring report for City’s Estate Investments</p> <p>Proposed Investment Strategy (Asset Allocation)</p>		
Treasury Management	Treasury Management Update	Treasury Management Update	<p>Treasury Management Update</p> <p>Treasury Management Outturn 2023-24</p>	<p>Mid-Year Treasury Review</p> <p>Treasury Management Update</p>

Agenda Item 9

Committee: Investment Committee	Dated: 21 May 2024
Subject: Risk Register Update for Investment Committee	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The City Surveyor (CS 079/24) and the Chamberlain	For Decision
Report author: Priya Nair – Chamberlain's Department John Galvin and Faith Bowman – City Surveyor's Department	

Summary

This report has been produced to provide Members of Investment Committee (IC) with an update on the management of risks within the City Corporation on activities relevant to this Committee.

Risk registers are long established for financial investments and property investments. It is appropriate that separate registers are maintained for these assets classes as the risk and mitigating actions are different; the investment property portfolio is an in-house fund, whereas the financial investment portfolio is placed with fund managers.

However, there are risks to the overall investment portfolio e.g. allocation between asset classes; risks common to both portfolios e.g. governance risk; and arrangements over liquidity which sit above the portfolios. Consequently, an overarching risk register for the investment portfolio has been developed.

This includes:

- New risk for investment performance strategy
- New risk relating to external economic factors
- Overarching risk in relation to sustainability and impact – which is broken down in a more nuanced way in each of the property and financial investment risk registers
- Cash flow management risk- formerly sitting in the financial investment risk register
- Governance risk- formerly sitting in the financial investment portfolio

This is still work in progress, but we would first welcome Member views on the overarching risk register at portfolio level (Appendix B).

Risk mitigation activity for investment properties is managed by the City Surveyor's Department (Appendix C) and the mitigation activity around the treasury function and City's Estate financial investments, is managed by the Corporate Treasury Team in the Chamberlain's Department (Appendix D).

The risks presented by the City Surveyor's Department (CSD) are departmental and, in line with the Corporate Risk Management Policy and Strategy (2021), these are presented to IC quarterly. Those relating to Corporate Treasury are functional risks, so are not governed by the same requirements. These are reported through to IC on a six-monthly basis, unless by exception, but going forward reporting will be aligned.

Recommendations

Members are asked to:

- Note this report, and the actions taken across the organisation to effectively monitor and manage risks in the City Surveyor's operations (Appendix C) and review the existing risks and actions on the IC Financial Investments risk register (Appendix D) and confirm that appropriate control measures are in place.
- Consider the overarching risks and mitigations relating to the overall investment portfolio overseen by the Investment Committee (Appendix B).

Main Report

Background

1. The City Surveyor's Department (CSD) and the Chamberlain's Corporate Treasury Team report to the Investment Committee (IC) those risks relevant to your Committee under your Terms of Reference.
2. The risks presented by the CSD are departmental and, in line with the Corporate Risk Management Policy and Strategy (2021), these will be presented to IC quarterly. Those relating to Corporate Treasury are functional risks and relate to the treasury function and the financial investments of City's Estate, so are not governed by the same requirements. These have been historically reported to Finance Investment Board every six months and this frequency has been maintained with the IC.
3. However, there are risks to the overall investment portfolio such as allocation between asset classes; risks common to both portfolios for example, governance risk; and arrangements over liquidity which sit above the portfolios. Consequently, an overarching risk register for the investment portfolio has been developed.
4. This report includes an update from both the City Surveyor and the Chamberlain; including overarching views from the outsourced CIO function.

Review of Risks

5. The method of assessing risk reflects the City of London's standard approach to risk assessment and the risk matrix, which explains how risks are assessed and scored is attached at Appendix A. These scores are summarised into three broad groups, each with increasing risk, and categorised "green", "amber" and "red".
6. Risks are reviewed frequently in both departments, and where there are any material changes to the risks between reporting periods these will be reported through to IC on an exceptional basis.
7. Appendix C relates to risks owned by CSD, capturing items which could impact the performance of the investment property portfolio. Appendix D relates to risks owned by Corporate Treasury, helping identify and manage the strategic risks facing the City's non-property investments.





8. Each risk presented in the Risk Register is accompanied by one or more “action(s)” which reflect how the risk is managed and mitigated. A “due date” for required completion is set against each action. Due to the nature of the risk overseen by the Committee in many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual update, which will be reviewed each year.

Current Position

Overarching Portfolio Risk register (Appendix B)

9. An overarching risk register for the investment portfolio has been developed. This includes:
- New risk for investment performance strategy
 - New risk relating to external economic factors
 - Overarching risk in relation to sustainability and impact – which is broken down in a more nuanced way in each of the property and financial investment risk registers
 - Cash flow management risk- formerly sitting in the financial investment risk register
 - Governance risk- formerly sitting in the financial investment portfolio
10. The risk register is still work in progress. For new risks, mitigating actions will be developed, but we would first welcome member views on the overarching risk register at portfolio level (Appendix B).

Table 1: Summary table of risks for overall investment portfolio relevant to investment Committee

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
IC 01	Investment Performance Strategy Risk	6			N/A
IC 02	External Economic Risk	12			N/A
IC 03	Governance	4			
IC 04	Cashflow Management	8			
IC 05	Sustainability and Impact	4			N/A

11. At your September meeting, a Member questioned the rating for Cashflow Management. The Member felt that the rating could increase to a higher risk level. At that time the Chamberlain advised that cashflow management was not an immediate problem but could become one in the coming years. Consequently, Officers have reviewed the risk and the score for IC 04 (cashflow management) has been increased from 4 (rare/major) to 8 (unlikely/major) to reflect the future spending on major projects.

CSD Risk Register (Appendix C)

12. The key points to note for this period are captured below:

a. SUR SMT 005

Construction and Service Contracts Price inflation

Current Risk Score 16 (Red)

Whilst market movements have steadied in recent months, price inflation remains above historic norms. Particularly in the Property Projects Team, feedback is that inflation continues to impact construction inputs, particularly labour.

Higher levels of input cost inflation are combining to raise costs beyond that anticipated or planned at contract commencement.

Whilst some of the upward pressures have dissipated, the departmental review concluded that the risk scoring on this measure should be maintained at its current scoring. CSD will continue to progress mitigations wherever possible.

b. SUR SMT 006

Construction Consultancy Management

Current Risk Score 16 (Red)

This risk relates to abortive design and development work arising from poor performance by construction consultants. The department, and the projects it delivers, continues to suffer the effects of this risk, with project timelines and costs being impacted.

This risks also reflects the lack of skill set in the construction industry whereby individuals assigned in the commercial market to City (and public sector generally) projects do not have the skill and competency required to deliver the work to the standard required.

CSD is working closely with colleagues in Procurement (commissioning stage) and in Legal (remediation) to help mitigate this risk.

c. SUR SMT 009

Recruitment and Retention of Property Professionals

Current Risk Score 16 (Red)

The risk scoring on this item was reviewed again by the CSD management team in February. They reflected that the risk continues to manifest, particularly in relation to the retention of quality, professionally skilled, staff; and in recruitment where applicants are often at a more junior level of experience as the reward package cannot attract more experienced applicants. There is significant continued competition for property professionals, particularly in project management and General Practice surveying/ asset management.

The department has been reflecting these pressures Corporately and is actively feeding into the wider organisational review of pay and reward. It should be highlighted that this item is also flagged as a Corporate Risk (CR 39 Recruitment and Retention).

d. SUR SMT 011

Contractor failure

Current Risk Score 16 (Red)

This risk relates to the failure of a main contractor, or a substantive sub-contractor. Particularly with the second of these elements the City Corporation has not historically had significant influence over who is commissioned to undertake work.

Recent industry uncertainty has raised the risk likelihood, and this risk is now red (April 2024).

Table 2: Summary table of risks of City Surveyor's Departmental Risks relevant to Investment Committee

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
SUR SMT 005	Construction Price Inflation	16			
SUR SMT 006	Construction Consultancy Management	16			
SUR SMT 009	Recruitment and retention of property professional	16			
SUR SMT 011	Contract Failure	16			
SUR SMT 010	Insurance - Investment and Corporate Estates	12			
SUR SMT 003	Investment Strategy Risk	12			
SUR SMT 012	Adjudication & Disputes	8			

Chamberlain (Corporate Treasury) Financial Investments (Appendix D)

13. The financial Investments Risk Register contains seven risks which are summarised in Table 2 below and are ranked by their current risk score.

14. At your September meeting, a Member questioned the ratings for two of the financial investment risks, namely:

- CHB FIB 01 Insufficient Assets - City's Estate
- CHB FIB 04 Counterparty failure - Treasury Management















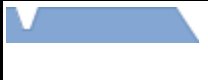
The Member felt that the rating for CBH FIB01 was optimistic, whilst the rating for CHB FIB 04 was pessimistic. At that time the Chamberlain advised:

- the level of CHB FIB 04 varied depending on whether there was a counterparty failure; and
- she felt that it would appropriate to revisit CHB FIB 01 once decisions had been made on asset allocation.

15. Officers have reviewed the Risk Register to establish whether the risk environment has changed, and both risks have been reviewed and updated where necessary. Updates to the Risk Register are underlined throughout.

16. As a result of the review and the comments made at the September meeting, CHB FIB 04 (Counterparty Failure) which was previously scored as 8 has now been scored 2 - the City has a conservative credit worthiness policy for its counterparties and all lending is conducted within the parameters of the Treasury Management Strategy Statement. The score for CHB FIB 01 has not, at this stage been amended – this will be reviewed once decisions around asset allocation have been made.

Table 3: Summary table of risks for Corporate Treasury relevant to investment Committee

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
CHB FIB 01	Insufficient assets - City's Estate	12			
CHB FIB 02	Targeted returns - City's Estate	6			
CHB FIB 03	Service provider failure	4			
CHB FIB 07	Failure to discharge responsible investment duties	4			
CHB FIB 04	Counterparty failure - Treasury Management	2			

Conclusion

17. Members are asked to note the recent changes to the risk registers, and the actions taken by the City Corporation to mitigate the likelihood and/or impact of the risks. Members are also asked to confirm that there are no other risks that should be added to the Risk Register.

Appendices

- Appendix A City of London Risk Matrix
- Appendix B The overarching Investment Portfolio Risk Register
- Appendix C The City Surveyor's Departmental Risk Register relevant to this Committee
- Appendix D The Corporate Treasury Risk Register relevant to this Committee

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City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom left (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

(A) Likelihood criteria

	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%

(C) Risk scoring grid

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	X				
	Likely (4)	4 Green	8 Amber	16 Red	32 Red
	Possible (3)	3 Green	6 Amber	12 Amber	24 Red
	Unlikely (2)	2 Green	4 Green	8 Amber	16 Red
	Rare (1)	1 Green	2 Green	4 Green	8 Amber

(B) Impact criteria

Impact title	Definitions
Minor (1)	Service delivery/performance: Minor impact on service, typically up to one day. Financial: financial loss up to 5% of budget. Reputation: Isolated service user/stakeholder complaints contained within business unit/division. Legal/statutory: Litigation claim or find less than £5000. Safety/health: Minor incident including injury to one or more individuals. Objectives: Failure to achieve team plan objectives.
Serious (2)	Service delivery/performance: Service disruption 2 to 5 days. Financial: Financial loss up to 10% of budget. Reputation: Adverse local media coverage/multiple service user/stakeholder complaints. Legal/statutory: Litigation claimable fine between £5000 and £50,000. Safety/health: Significant injury or illness causing short-term disability to one or more persons. Objectives: Failure to achieve one or more service plan objectives.
Major (4)	Service delivery/performance: Service disruption > 1 - 4 weeks. Financial: Financial loss up to 20% of budget. Reputation: Adverse national media coverage 1 to 3 days. Legal/statutory: Litigation claimable fine between £50,000 and £500,000. Safety/health: Major injury or illness/disease causing long-term disability to one or more people objectives: Failure to achieve a strategic plan objective.
Extreme (8)	Service delivery/performance: Service disruption > 4 weeks. Financial: Financial loss up to 35% of budget. Reputation: National publicity more than three days. Possible resignation leading member or chief officer. Legal/statutory: Multiple civil or criminal suits. Litigation claim or find in excess of £500,000. Safety/health: Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. Objectives: Failure to achieve a major corporate objective.

(D) Risk score definitions

RED	Urgent action required to reduce rating
AMBER	Action required to maintain or reduce rating
GREEN	Action required to maintain rating

Contact the Corporate Risk Manager for further information. Ext 1297

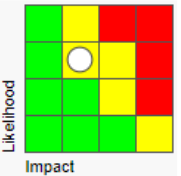
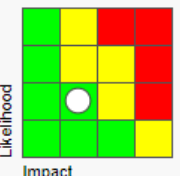
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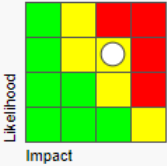
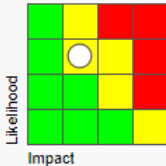
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Investment Committee – Overarching Investment Portfolio Risk Register (for City Fund and City’s Estate)



TOP LEVEL

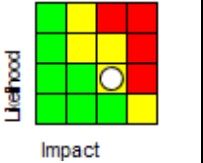
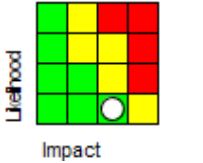

Risk Code, Title and Ownership	Description (Cause, Event, Impact)	Current Risk Rating & Score	High level mitigating action	Target Risk Rating & Score
<p>IC 01 Investment performance: Strategy risk</p> <p>3-May-2024 C Al-Beyerty</p>	<p>Cause: Inappropriate split of assets between property and financial assets and/or inappropriate asset allocation within the underlying property and financial portfolios</p> <p>Event: Poor assessment of market conditions and outlook for returns – failure to react to changes in market conditions leading to lower than expected returns/income, decline in capital or insufficient liquidity</p> <p>Effect: Failure to meet return targets and spending commitments – significant decline in capital – shortfall in income – inadequate liquidity – forced sales of assets at an inopportune moment in order to fund distribution requirements</p>	 <p>6</p>	<p>Top level and underlying portfolio Strategic Asset Allocation (SAA) reviewed formally every three years by the IC with annual updates with specialist advice provided by investment consultants</p> <p>Performance monitored on a regular basis against targets to highlight any shortfall and potential action needed</p> <p>Positions monitored on a regular basis to ensure that they remain appropriate in light of changing market conditions with specialist advice provided by investment consultants</p>	 <p>4</p>

Risk Code, Title and Ownership	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	High level mitigating action	Target Risk Rating & Score
<p>IC 02 External Economic risk</p> <p>3-May-2024 C Al-Beyerty</p>	<p>Cause: Adverse global economic developments or unexpected geopolitical crisis (e.g. Covid, Russian invasion of Ukraine, etc.)</p> <p>Event: Sharp rise in energy prices and inflation, collapse in sterling and/or downturn in property and financial markets leading to a reduction in purchasing power, decline in investment values and/or erosion of reserves</p> <p>Effect: Failure to meet real return objectives and maintain the purchasing power of distributions – failure to match rising demands from the operational activities supported by the portfolio – reputational and organisational risk if budgets need to be cut as a result – balance sheet problems potentially created if the downturn in asset prices is sustained (e.g. inability to set up sinking fund for debt repayment)</p>	 <p>12</p>	<p>Continuous monitoring of external developments across markets</p> <p>Appointment of external managers for the financial portfolio with discretion to take appropriate action in the event adverse economic developments or a geopolitical crisis – advice also provided by external investment consultants</p>	 <p>6</p>

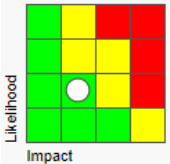
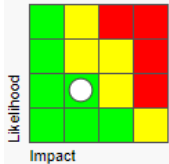
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
IC 03 Governance/ Compliance risk (Previously CHB FIB 06) 08-Mar-2018 Kate Limna; Priya Nair	Cause: Inadequate understanding of regulations and investment practices among Members, officers and other staff involved in the investment portfolio etc. Event: Committee Members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach. Effect: Inappropriate decisions are made leading to a financial impact, or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines.		4	Regular training of Members, officers and staff involved in the investment portfolio Appointment of external consultants to provide advice on asset allocation, manager selection and regulation		2	31-Mar-2024	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 06a	Training provided to Committee Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	Training delivered to Members of the Board has included treasury management in February 2019 via the treasury consultant; investment strategy training in June 2020 from the Investment Consultant in relation to the Pension Fund Investment Strategy review; sustainable investment implementation from FTSE Russell in September 2020; and climate risk training from various sessions led by Aon and Carbon Tracker in Q2 2021. In November 2023, two Treasury Management training sessions were held for Members of the Investment Committee and Finance Committee. The first session provided an appreciation of what Treasury management involves, how it is undertaken, the roles of Members and Officers, and the risks in Treasury Management and how they should be managed. The second session covered developing the Treasury Management Strategy, including Prudential Indicators, cashflow forecasts, investment strategy, credit worthiness, counterparty list, ESG considerations, and a review of the investment portfolio and an economic outlook.	Kate Limna	26-Feb-2024	31-Mar-2024
CHB FIB 06b	Job descriptions used at recruitment to attract candidates with skills and experience related to investment finance. The Corporation maintains membership of CIPFA's	Officers continue to attend training courses, seminars and conferences where deemed appropriate to enhance understanding of markets, financial instruments, regulatory and statutory reporting issues.	Caroline Al-Beyerty;	26-Feb-2024	31-Mar-2024

	Pension Network, CIPFA's Treasury Management Network plus the LAPFF, LPFA and PLSA – all providing access to training opportunities via courses, seminars and conferences.		Kate Limna		
CHB FIB 06c	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Performance and development appraisals continue to be carried out in line with corporate policy.	Caroline Al-Beyerty; Kate Limna	26-Feb-2024	31-Mar-2024
CHB FIB 06d	External professional advice sought where required.	The investment consultant attends each meeting of the Investment Committee providing advice on investment matters.	Kate Limna	26-Feb-2024	31-Mar-2024

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
IC 04 Cash flow management (Previously CHB FIB 05) 08-Mar-2018 Kate Limna; Priya Nair	Cause: Inaccurate cash flow modelling for Corporation as a whole. Event: There is insufficient cash available to meet day to day obligations. The organisation is forced to liquidate long term investment assets without adequate planning or fails to identify external borrowing requirements. Effect: Overdrawn position incurs unnecessary expenditure and missed payments damage the Corporation's reputation. Inefficient treasury management decisions increase costs.		8	Officers continue to maintain a cash flow model projecting the Corporation's cash flow requirements for the forthcoming year on an on-going basis. Cash flow is regularly monitored, and short-term cash balances are invested over appropriate time horizons. 26 Feb 2024		4	31-Mar-2024	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 05a	Combined cashflow daily forecast maintained to project inflows and outflows over the year forward to ensure a sufficient level of on-going liquidity. Cashflow requirement is the fundamental consideration when agreeing duration of fixed term deposits or placing capital in money market funds.	Cash flow model maintained and updated on a daily basis, incorporating known flows and estimating payments and income of uncertain timing based on historic cash flow profiles and estimations for the timing and value of future payments and receipts.	Kate Limna	26-Feb-2024	31-Mar-2024
CHB FIB 05d	A balance sheet review exercise enables the Corporation to further understand the likely timing of any future need to liquidate long term investment assets or external borrowing requirement.	Officers have developed a medium-term cash flow forecast based on City Fund and City's Cash projected balance sheet. This forecast will be updated in line with the evolution of the medium-term financial plan and will be being reviewed in tandem with the production of the draft statement of accounts for 2023/24.		26-Feb-2024	30-Jun-2024

Risk Code, Title and Ownership	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		High level mitigating action	Target Risk Rating & Score	
<p>IC 05 Sustainability and impact</p> <p>3-May-2024 C Al-Beyerty</p>	<p>Cause: Insufficient attention is paid to the City’s sustainability goals and Climate Action Strategy in managing the investment portfolio</p> <p>Event: Negative news stories create an adverse public perception of the City’ approach to sustainable investment, reputational damage and potential loss of trust in the City’s financial stewardship</p> <p>Effect: The investment portfolio does not meet its sustainability goals and the targets set in the Climate Action Strategy – investment decisions based on financial factors without due consideration of their impact on sustainability could also create reputational risk and public relations efforts to repair the City’s reputation would incur unnecessary costs – the lack of a clear impact measurement framework does not allow for an accurate assessment of performance and could delay achieving the sustainability goals</p>		<p>4</p>	<p>Regular monitoring and reporting of the portfolio against sustainability and climate change targets enabling the Investment Committee to challenge officers and staff on progress</p> <p>Selection of external managers who are able to manage their portfolios in line with the City’s sustainable and climate action objectives – changing external managers when necessary</p> <p>Setting clear sustainability objectives for the internal property team and assessing their recommendations in light of those objectives</p>		<p>4</p>

SUR Departmental risks - DETAILED REPORT EXCLUDING COMPLETED ACTIONS for COMMITTEE

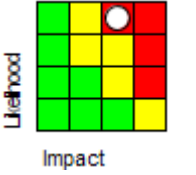
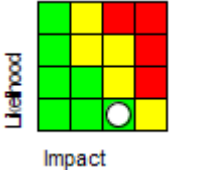

Report Author: Faith Bowman
 Generated on: 08 April 2024



Rows are sorted by Risk Score

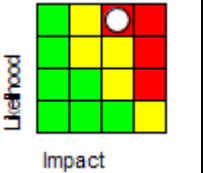
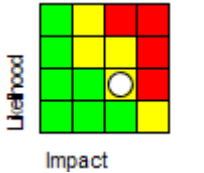

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
SUR SMT 005 Construction and Service Contracts Price Inflation beyond that which was anticipated or planned 14-Oct-2021 Ola Obadara	Cause: Market conditions have led to input price inflation Event: Project and programme cost escalation Impact: Inability to delivery capital and revenue projects within budget	Likelihood Impact	16	Material costs and labour availability are combining to raise costs beyond that anticipated or planned. This item impacts property projects, our facilities management (FM) provision, reactive repairs, and revenue works. Whilst construction cost inflation had been forecast to level out, this has yet to plateau to expectation. This is across both building materials and construction expertise where labour constraints continue to place upward pressure on pricing. Market conditions remain dynamic and will be kept under review. As such the target date should be considered a review point.	Likelihood Impact	6	31-Mar-2025	
								Reduce

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 005a	<p>Procurement Strategy</p> <p>The department is working with legal and procurement to identify different buying options, thereby managing the risk to the department / organisation.</p>	<p>This exploration included a review of the prior Single Stage tender process (which had been preferred for medium range projects - £2m - £50m).</p> <p>Following the review Two Stage contracts will be used more frequently. This is the current market norm for these projects. The change enables contractors to better transfer their risk and leaves the City with a degree of cost uncertainty, even post Gateway 5. Whilst this transfer is not desired, it offers far better market coverage and reflects the prevailing external conditions.</p> <p>This will be kept under review.</p>	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 005d	<p>Contracts</p> <p>Exploring the potential to include different clauses into contracts such that work offered by the City remains attractive to suppliers.</p>	Chamberlain's procurement and the department have explored the inclusion of fluctuating provisions in our contracts. This action has resulted in attracting a greater number of contractors to bid on projects, however the inflation risk has been transferred to the organisation. The value of this approach will be continually reviewed.	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 005e	<p>Contract Engagement</p> <p>Expanding the amount of information available at an early stage of contract exploration. This will provide greater cost certainty.</p>	We are looking to engage early with our contractors on a consultancy basis to obtain as much information as possible prior to contract.	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 005f	<p>Specification and Materials</p> <p>Ensuring materials are readily available before and during the design phase and, if possible, procure in advance of the contract. This limits the impact of further price rises in at risk commodities.</p>	Inflation in raw materials has abated, but it should be noted that prices are not typically falling anywhere. Further consideration is being given to the origin of source materials to ensure supply. This item will be kept under review.	Ola Obadara	08-Apr-2024	31-Mar-2025

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
SUR SMT 006 Construction Consultancy Management 14-Oct-2021 Ola Obadara	Cause: Poor performance by consultants Event: Abortive work, delays, or non-performance. Impact: Additional costs, project delays		16	This relates to abortive design / development. The department continues to suffer the impacts of this risk, with action being taken against consultants when their performance does not meet expectations. This is combining with a lack of this skill set in the construction industry. Often individuals assigned in the commercial market to City (and public sector generally) projects do not have the skill and competency required to deliver the work to the standard required. This issue is being seen across the industry.		4	31-Mar-2025	 Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 006a	Commissioning stage The department has commenced going to market at RIBA stage 3 rather than RIBA stage 4. This is designed to prevent abortive design and development.	Close work with the Procurement Team in Chamberlain’s has resulted in this change. The impact will be tracked over the coming months.	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 006b	Legal The team is working closely with the legal department to ensure that procurement activity aligns with project objectives and the consultants meet quality requirements	Where performance has been poor action has been taken against consultants – these cases increase end-to-end timescales. Due to public sector contract constraints, our ability to seek immediate redress from construction consultancy contractors is constrained, so whilst action is taken, results take longer than would otherwise be possible in a commercial environment.	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 006c	Procurement	The department continues to work with colleagues from the Procurement Team to explore available options to manage and mitigate this risk. The City’s public sector role limits the	Ola Obadara	08-Apr-2024	31-Mar-2025

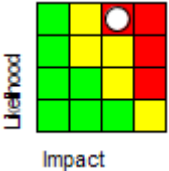
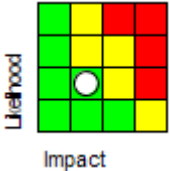
	Working with Procurement to increasing due diligence, particularly in regard to the quality of contractor appointed (rebalancing the quality/cost equation). This is with the view that we will get better quality applications and this risk may reduce.	number of avenues compared to commercial operators. The City Surveyor's Department was a participant at the March "Meet the Supplier – Construction and Professional Services" event organised by the Procurement Team. This event was aimed at further diversification and strengthening of our supplier base. Further engagement with colleagues has occurred subsequent to this event to consider lessons and actions.			
SUR SMT 006d	Scope of works The team is reviewing and tightening up the scope of works specification. This will counter opportunistic interpretations of the scope of works that we were seeing from some consultants	Detailed scoping is required to ensure that projects are delivered on-time and on-budget. This can lead to extended lead times. Due to a wider lack of skills in the industry, consultants allocated to this element of work are making more errors than desired – and this is contributing to the overall red-rating to this risk. Further actions are being explored, but this is an industry wide issue (particularly for public sector organisations).	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 006e	Review of appointment documents The team is working closely with the legal department to ensure that procurement activity aligns with project objectives and the consultants meet quality requirements	Where performance has been poor action has been taken against consultants – these cases increase end-to-end timescales.	Ola Obadara	08-Apr-2024	31-Mar-2025

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
SUR SMT 009 Recruitment and retention of property professional 21-Jan-2022 Paul Wilkinson	<p>Cause: Uncompetitive pay and benefits structures within some professional grades; poor quality work environments; lack of professional progression over recruitment freeze and restructuring period; increased employee focus on work-life balance</p> <p>Event: Increasingly difficult to recruit suitably skilled staff at the correct level for the grade being recruited for. Increasingly difficulty to keep staff who get better reward packages from other organisation (both commercial and public sector)</p> <p>Impact: Increased vacancies, objectives unachieved or delivered late (including project delivery and income generation), reduced customer satisfaction, less real estate activity, reduced employee wellbeing, demotivation of staff. Increased costs born by the organisation through recruitment campaigns and training etc, or to the department through filling vacancies through comparatively expensive temporary contracts.</p>		16	<p>This risk has been identified across several divisions of the City Surveyor's Department. The impacts vary by Group with the risk being particularly acute in Investment Property, Surveying and Project Management.</p> <p>This risk was reviewed in February 2024 and due to specific issues in certain industries, was retained at the current risk score.</p> <p>The department continues to engage with Corporate colleagues to mitigate this risk over the long term.</p> <p>The risk will be kept under review, with the target date reflecting this on-going review.</p> <p>08 Apr 2024</p>		8	31-Mar-2025	
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 009a	Advertising The department and the HR Business Partner has produced a recruitment best practice document, which includes ensuring that vacant posts are advertised in areas which will generate interest from suitably qualified candidates, including those currently under-represented within our workforce.	Recruitment campaigns have used the best practice recruitment document, with diverse panels etc being a feature. This has been well received by staff.	Paul Wilkinson	08-Apr-2024	31-Mar-2025

SUR SMT 009b	<p>Best Practice</p> <p>Including delivery of appraisals, regular one-to-ones, team and group meetings. This aims to improve communications at all levels, ensuring that CSD is a positive work environment and that issues/blockers can be raised and addressed. In some areas career graded roles have been instituted, and deployment can be further explored.</p>	<p>CSD is supporting the work of Corporate HR in moving towards all on-line appraisal documentation. This will enable greater tracking of compliance.</p>	Paul Wilkinson	08-Apr-2024	31-Mar-2025
SUR SMT 009c	<p>Communication</p> <p>Including delivery of appraisals, regular one-to-ones, team and group meetings. This aims to improve communications at all levels, ensuring that CSD is a positive work environment and that issues/blockers can be raised and addressed. In some areas career graded roles have been instituted, and deployment can be further explored.</p>	<p>CSD is supporting the work of Corporate HR in moving towards all on-line appraisal documentation. This will enable greater tracking of compliance.</p> <p>Managers across the service have been active in ensuring that all start of year appraisals have been input into the system, and will do so again at the end of year point.</p>	Paul Wilkinson	08-Apr-2024	31-Mar-2025
SUR SMT 009d	<p>Engagement with HR</p> <p>Some of the items highlighted as the 'causes' of this risk are outside the control of CSD, and engagement with our Corporate partners will be critical to overcoming these items. This departmental risk directly supports the Corporate Risk on "Recruitment and Retention" (CR39).</p>	<p>The City Surveyor is a member of the organisation's Chief Officer Risk Management Group where this overarching corporate risk is regularly considered.</p> <p>Corporate HR have just started to explore the development of a new staff survey. The 2024 survey follows on from that delivered in 2022. This department has supported the development of the survey and is currently promoting completion (the survey is live from mid-April). It will look to develop an action plan when the results are released.</p>	Paul Wilkinson	08-Apr-2024	31-Mar-2025
SUR SMT 009e	<p>Equalities, Diversity and Inclusion</p> <p>The department has an active ED&I network, which regularly engages with the City Surveyor and the Senior Management Team. This is seeking to make the department a more attractive destination for under-represented groups and seek to retain and progress staff from all backgrounds. There is corporate HR representation on this departmentally-led Group</p>	<p>The ED&I Group continue to meet monthly and have recently agreed an Action Plan for 2024 focussing around the themes of 'recruitment, development & advocacy'.</p> <p>In January colleagues from the City's Procurement Unit spoke to the group around the diverse procurement event that was subsequently held at the Guildhall (March). The February meeting of the Group welcomed the leads from the organisation's new Social Mobility Network, looking to support the work of this network through the department. The March meeting included members from the Corporate Equalities unit updating the City Surveyor's Team on recent activity.</p>	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 009f	<p>Pay and Review Survey</p> <p>The Corporation is reviewing pay & reward</p>	<p>The department has highlighted that there are specific pressures within this department which may make the issue more acute within CSD roles. It should be noted that the earlier reward scheme (where those on top-of-grading salaries could achieve performance related pay) was withdrawn prior to the review conclusions, and this has made our local offer less competitive than our peers.</p> <p>The department is engaging with Korn Ferry in the Corporate review of pay and reward, and will be looking to implement recommendations wherever possible. Local feedback suggests</p>	Paul Wilkinson	08-Apr-2024	31-Mar-2025

		that whilst recruitment is possible, the limited scope for (pay and professional) progression means that retention is more challenging.			
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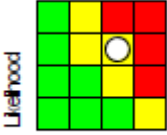
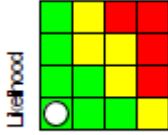

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
SUR SMT 011 Contractor Failure 13-Feb-2023 Ola Obadara	Cause: Market conditions Event: Failure of either a main contractor, or a substantial sub contractor Impact: Delayed delivery of projects, or the delivery of projects at a higher cost		16	<p>This risk relates to the failure of a main contractor, or a main sub-contractor. Particularly with the second of these elements the City Corporation has not historically had significant influence over who is commissioned to undertake work.</p> <p>Should a main contractor, or sub-contractor, fail, there are knock on implications for warranties, or our capacity to seek redress for any design faults.</p> <p>Recent industry uncertainty has raised the risk likelihood and this risk is now red (February 2024).</p> <p>08 Apr 2024</p>		4	31-Mar-2025	↑
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 011a	Tendering Seeking to have greater say over who a main contractor appoints as a sub-contractor. This will help reduce the likelihood of this risk occurring.	The department has commenced work with Procurement to ensure that our commissioning takes greater account of contractor and sub-contractor failure. We may need to have a greater say in who a main contractor identifies as an appropriate sub-Contractor. Further actions to follow this initial engagement.	Ola Obadara	08-Apr-2024	31-Mar-2025
SUR SMT 011b	Review Process Regular review of contractors and their sustainability will reduce the likelihood of the risk, and help us put in place measures to reduce the impact.	The department is instituting six-monthly reviews of contractor suitability. Historically this only happened at contract commencement. This will better prepare the organisation should the contractor (or significant sub-contractor) begin to experience difficulty.	Ola Obadara	08-Apr-2024	31-Mar-2025

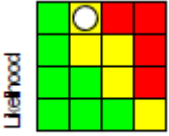
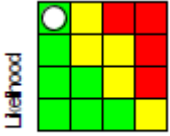

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<p>SUR SMT 003 Investment Strategy Risk</p> <p>17-May-2021 Robert Murphy</p>	<p>Cause: The business environment declines, flexible working reduces central London demand, retail tenant failure, or demand moves away from City of London assets.</p> <p>Event: Lower rental levels achieved, lower demand, increased turnover of tenancies, increased tenant failure</p> <p>Impact: Inability to maximise property returns and income for an acceptable level of risk</p>	<p>Likelihood</p> <p>Impact</p>	<p>12</p>	<p>This risk captures a number of sub-risks which may impact the organisation's ability to maximise its property returns for an acceptable level of risk.</p> <p>The on-going mitigation of this risk is important for the organisation achieving its aspirations regarding Climate Action Strategy and Major Programmes, due to the income generated by the function.</p> <p>As the composition of the portfolio changes, new skills will be required by those working within the function. This then links closely with the department's Recruitment & Retention risk (SUR SMT 009).</p> <p>The target date on this risk reflects a major review point. Investment Strategy will always be a risk, but the key drivers and extent of the risk will vary.</p> <p>08 Apr 2024</p>	<p>Likelihood</p> <p>Impact</p>	<p>8</p>	<p>31-Mar-2025</p> <hr/> <p>Reduce</p>	<p></p> <hr/> <p>Constant</p>

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 003a	<p>Macro-economic</p> <p>Within an overarching Investment Strategy the objective will be to maintain a diverse portfolio that reduces the impact of this risk. This includes:</p> <ol style="list-style-type: none"> 1. Use (office, retail, industrial) 2. Location (City, Southwark, West End etc.) 3. Tenancies (Long term Headlease geared, FRI, directly managed) 4. Covenants (multinationals, SME) 5. Asset management (lease renewals, voids, arrears, etc.) 6. Monitoring retail habits in change of building use 	<p>An overarching investment strategy is being evolved for approval by Members to agree the approach to our real estate investments. The actions described will be undertaken in the context of the approved overarching strategy.</p> <p>Consideration includes the potential for recession, inflation, energy pricing etc. and how this will impact tenants and the wider market.</p>	Robert Murphy	08-Apr-2024	31-Mar-2025
SUR SMT 003b	<p>Portfolio</p> <p>Ensuring that the overall composition of the investment portfolio takes advantage of emerging segments of growth, whilst managing the exposure to property types which are showing reducing demand.</p>	The overarching Investment Strategy will define the targets and the tactical implementation will be achieved through regular market scanning, and the integration of learning into the Corporation's approach	Robert Murphy	08-Apr-2024	31-Mar-2025
SUR SMT 003c	<p>Climate Action</p> <p>The alignment of our portfolio with the future strategic needs of occupiers, particularly supporting their ESG (Environmental-Social-Governance) needs. Climate Action is principally managed through the Climate Action Strategy.</p>	Ensure that the investment portfolios are compliant with the emerging demands of both investors and occupiers as well as the Corporation's Climate Action strategy and Design Standards.	Robert Murphy	08-Apr-2024	31-Mar-2025
SUR SMT 003d	<p>Office risk</p> <p>Reviewing post-pandemic office use and demand.</p>	<p>The department is monitoring key market use through data supplied by partners (such as footfall information), market research reports, and tenant feedback.</p> <p>The department continues to observe a 'flight to quality' – higher specified and higher quality spaces. Occupiers are increasingly considering their space as a tool in the 'war for talent'. Whilst some occupiers are downsizing their space, others are looking to create a better environment for staff through lower densities / improved amenities. This learning informs the portfolio strategy (linked to action SUR SMT 003b).</p> <p>The team is working with Corporate colleagues in connection with the "Destination City" agenda, particularly in highlighting market trends to Members and key stakeholders.</p>	Robert Murphy	04-Apr-2024	31-Mar-2025
SUR SMT 003e	Retail	The City Surveyor's Department continues to engage with peers to understand retail market impacts. Regular arrears monitoring, including the provision of bi-monthly dashboards Rental	Robert Murphy	08-Apr-2024	31-Mar-2025

	Changes in consumer preferences (moving to on-line retail) which has been accentuated through the COVID-19 pandemic. Elements of the City portfolio is also dependent on tourism, which is only now returning to activity seen pre-pandemic.	collection snapshot is being produced by Chamberlain’s Department.			
SUR SMT 003f	Strategy The department will be reviewing its strategic approach to ensure that a portfolio approach is developed (rather than decisions being made on an asset-by-asset basis). This will ensure the on-going allocation of funds is balanced between different risks/returns	The Investment Property Director is developing the department’s Investment Strategy. This is in early stages of development, and further information will be available over time.	Robert Murphy	08-Apr-2024	31-Mar-2025

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
26-May-2022 Robert Murphy; Peter Young	<p>Cause: Revaluation of the City Corporation’s estates (Investment and Corporate) does not happen in a timescale compliant with insurance policy requirements or the terms of leases.</p> <p>Event: The City fails to meet the provision under its insurance policies that revaluations are undertaken by a RICS surveyor at least every five years (Investment and Corporate). The City is in breach of its legal obligations as a landlord under the terms of its leases to ensure that the full re-instatement value is insured .</p> <p>Impact: The insurance policy does not respond in full (Investment and Corporate). Potential legal action from commercial occupiers in the event of an incident for which there is not appropriate cover.</p>	 <p>Lifehood Impact</p>	12	<p>This risk identifies the need of re-valuation of the City of London Estates – (Investment and Corporate) to ensure that the City reaches its legal obligations under its insurance policies.</p> <p>The last on-site valuations of the Investment Property Group estate and Corporate buildings (other than special sites) was undertaken in 2015. Funding has recently been identified and a budget is now in place. Tender documents have been drafted.</p> <p>Once contractors are on-site and progressing with completing this activity the risk scoring should start to reduce towards target.</p> <p>08 Apr 2024</p>	 <p>Lifehood Impact</p>	1	31-Mar-2025	
						Reduce	Constant	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 010a	Register of data Ensuring the completeness of the organisation's data sets to ensure that assets are not 'lost'. This ensures the accuracy of our risk scoring.	A property schedule exists and this has been updated with the survey carried out on Special Sites (by RLF).	Robert Murphy	08-Apr-2024	31-Jan-2025
SUR SMT 010b	Funding The identification of funding streams to undertake any valuation work is key to the delivery of the programme.	Where leases allow, the cost can be recovered from commercial tenants, and operational occupiers as appropriate. Funding has been agreed and a budget line identified where relevant within the City Corporation.	John James; Robert Murphy	08-Apr-2024	31-Mar-2025
SUR SMT 010c	Delivery Delivery of the programme of valuation activity. As this progresses the risk score will reduce to target.	The delivery of this activity will be done by an external party. We are currently reviewing properties and gathering information. The tender has been developed and is being finalised. Once approved an awarded, contractors will be engaged to progress with the activity.	Robert Murphy	08-Apr-2024	31-Mar-2025

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<p>SUR SMT 012 Adjudication & Disputes</p> <p>31-Aug-2023 Ola Obadara</p>	<p>Cause: The impact of COVID-19 on project delivery. Event: Regulations restricted access to sites and resulted in more design work being undertaken remotely. Productivity at sites was adversely impacted. Impact: Increased likelihood that projects were designed correctly, and resulting legal and adjudication issues, reputational harm.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>8</p>	<p>The COVID-19 pandemic resulted in 3 years of impact at project sites.</p> <p>Site productivity was limited (circa 60% productivity) and much design work was undertaken remotely, or with limited site access.</p> <p>This has created a situation where some sites were not designed correctly, or there are issues beyond that which would normally be expected on construction builds.</p> <p>We are now in a situation where we are engaged with legal discussions and adjudications with project suppliers in an effort to iron out issues with final products.</p> <p>The department's risk register has a separate risk relating to 'construction price inflation'. The inflation risk is wider as it also captures cost escalations due to other causes (Ukraine, energy, etc). This risk only focusses on adjudication & disputes.</p> <p>This risk may remain on the register until projects commenced prior to, or during, the COVID-19 pandemic, have been delivered and finalised. The risk scoring will be kept under review.</p> <p>08 Apr 2024</p>	 <p>Likelihood</p> <p>Impact</p>	<p>4</p>	<p>31-Mar-2025</p>	<p></p> <p>Constant</p>

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 012a	<p>Project Review and Claims Consultant</p> <p>Claims consultant can advise the organisation where it can seek to recover money from suppliers (thereby reducing the impact).</p>	<p>The department is reviewing projects alongside the contracts to understand our position. Further, we have engaged external Claims Consultants to ensure that the City’s position is protected, and risks managed.</p> <p>Whilst the Claims Consultant has been effective in seeking redress, unfortunately there is a volume of work that needs to be considered. The risk will be retained at its overall scoring until this knot of projects has been delivered and considered.</p>	Ola Obadara	08-Apr-2024	31-Mar-2025

CHB Investment Committee (Financial Investments) Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: Priya Nair

Generated on: 02 May 2024

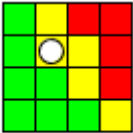
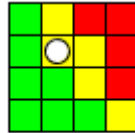



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 01 Insufficient assets - City's Cash City's Estate	<p>Cause: The asset allocation of the City's Cash <u>Estate</u> investment portfolio is unable to fund long term expenditure requirements due to market movements.</p> <p>Event: There are insufficient assets to meet expenditure requirements.</p> <p>Effect: Reduced income or lower than anticipated growth which could impact on the Corporation's medium term financial plans. City's Cash <u>Estate</u> would be required to sell financial assets to fund expenditure requirements.</p>	<p>Liability Impact</p>	12	<p>The absolute return target for City's Cash <u>Estate</u> has been set at CPI + 4%. As at 31 July 2023- The Fund generated a positive absolute return of +11.8% for the year to <u>31 March 2024</u>, the Fund <u>and is</u> outperforming over the quarter but underperforming its absolute return target across all other time horizons <u>its absolute return target over all time horizons except the 3-year period</u>. The Fund has produced a positive return over all time frames. <u>This is largely as a result of global equity markets which witnessed a robust end to 2023, and this momentum continued into Q1 (Jan 2024 – Mar 2024) amid a resilient and generally solid economy, despite on-going geo-political tensions, and continued enthusiasm around Artificial Intelligence.</u></p>	<p>Liability Impact</p>	8	31-Mar-2024	

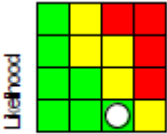
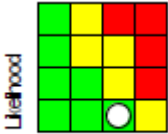

08-Mar-2018 Kate Limna; Priya Nair				02 May 2024				Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a	The City's Cash <u>Estate</u> investment strategy is reviewed at least every three years by the Investment Committee.	<p>The City has appointed Stanhope Capital as the outsourced Chief Investment Officer function (OCIO) reporting to the Chamberlain and covering City Fund (property) and City's Cash <u>Estate</u> (property and financial investments). Draft Investment Strategies have been commented on for City Fund and City's Cash <u>Estate</u> by the Committee; these working drafts will be further developed over the next 3-6 months.</p> <p>The OCIO function will be advising on:</p> <ul style="list-style-type: none"> • <i>City's Cash <u>Estate</u></i>: asset allocation between property and financial investments • <i>City Fund and City's Cash <u>Estate</u></i>: diversification of asset classes within appetite and appropriate pace for transition. • <i>City Fund & City's Cash <u>Estate</u></i>: Suitable income targets. <p>The City's Cash <u>Estate</u> Investment strategy is expected to be reviewed in 2024/25.</p>	Caroline Al-Beyerty; Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 01b	The investment performance is measured against absolute return targets required to meet long term objectives. This is reported to the Investment Committee throughout the year and is supplemented by market insight from the Corporation's investment consultants which will assist any strategic decisions required in between the three-year formal strategy reviews.	City's Cash <u>Estate</u> investment performance will be brought to each meeting of the Investment Committee for consideration.	Kate Limna	02-May-2024	31-Mar-2024

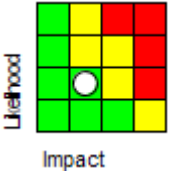
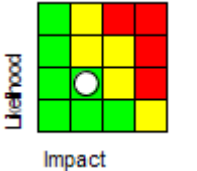
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 02 Targeted returns - City's Cash Estate	<p>Cause: Fund managers fail to achieve the targeted investment returns because</p> <ul style="list-style-type: none"> the Committee appoints unsuitable fund managers; individual fund managers underperform against the benchmarks agreed by the Committee; aggregate fund manager performance fails to achieve the Committee's long-term targets. <p>Event: Failure to be seen to manage the fund responsibly. Effect: Supervisory intervention over management of the funds.</p>	 <p>Lifehood Impact</p>	<p>6</p>	<p>The performance of fund managers and their aggregate performance is reported against target to each Investment Committee. The Committee sets a diversified investment strategy to mitigate volatility and as such it expects different parts of the strategy to outperform at different times.</p> <p>Where relative returns are negative, Members and officers seek to understand why in order to determine whether there is continued conviction in the manager's strategy to recover performance.</p> <p>The fund has underperformed its absolute return target of CPI +4% over all time horizons except the quarter to 31 July 2023, but this is due to the strength of inflation, which rose by 6.8% in the 12 months to July 2023 being high. However, it should be noted that CPI +4% is the long term target.</p> <p><u>The fund has outperformed its absolute return target of CPI + 4% over all time horizons except the 3-year period, as in inflationary pressures are subsiding, with UK inflation rising by 3.2% in the 12 months to March 2024 having reached a peak of 11.1% in October 2022. However, it should be noted that CPI +4% is the long-term target.</u></p>	 <p>Lifehood Impact</p>	<p>6</p>	<p>31-Mar-2024</p>	

08-Mar-2018 Kate Limna; Priya Nair				02 May 2024				Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 02a	Investment managers' performance and their aggregate performance is measured against appropriate benchmarks and monitored by the Investment Committee throughout the year. It is supplemented by market insight from the Corporation's investment consultants which provides peer group comparisons; checks on movement of key officers; and reviews on the incorporation of ESG considerations in implementing their investment strategies. Fund managers are invited to meet with Officers and Members to account for their performance as and when the Committee deem this necessary/as required.	The latest performance for City's Cash <u>Estate</u> Fund to 31 March <u>July</u> 2024 along with the Investment Consultant's quarterly report (to June 2023 <u>March 2024</u>) is <u>is</u> reported to the Investment Committee on 22 September 2023 <u>21 May 2024</u> .	Kate Limna	02-May-2024	31-Mar-2024

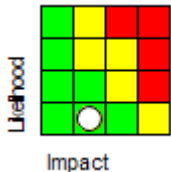
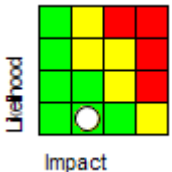

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 03 Service provider failure 08-Mar-2018 Kate Limna; Priya Nair	Cause: Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations. Event: Failure of fund manager, investment consultant or other service provider without notice. Effect: Asset valuations at risk or a period of time without service provision.	 Likelihood Impact	4	Officers meet regularly with fund managers, investment consultants and other service providers. Officers write to all counterparties requesting latest internal control report from fund managers and custodian ahead of the closure of accounts. 02 May 2024	 Likelihood Impact	4	31-Mar-2024	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 03a	Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed.	New manager due diligence undertaken in consultation with investment consultant. There are currently no plans to appoint any additional managers. The <u>current</u> investment consultant contract was re-tendered via the National LGPS procurement framework. Following a rigorous and competitive exercise Mercer were appointed to the role in October 2021.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 03b	Review of internal control reports on annual basis.	Corporate Treasury compile an archive of the most up to date relevant annual internal control reports issued by all issuing fund managers and custodian as part of statement of account compilation across Funds. All internal control reports from the pooled fund managers have been received where available. Officers are in the process of reviewing the findings of the reports to ensure they remain satisfied with the control environments operated by the Corporation's appointed asset managers.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB03c	Monitor markets regularly through financial publications and seek advice of managers and investment consultant when appropriate.	Officers regularly monitor financial press and industry publications particularly in search of any news regarding entities that have an existing relationship across the Corporation's Funds	Kate Limna	02-May-2024	31-Mar-2024

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 07 Failure to discharge responsible investment duties 20-Jun-2019 Priya Nair	Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments. Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood. Effect: The Corporation suffers reputational or financial damage.		4	The Investment Committee inherits an advanced approach to responsible investment and asset stewardship. The Corporation (via the previous Financial Investment Board) has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Corporation's approach in this area. The City of London Corporation (as a whole) is a signatory to the Principles for Responsible Investment (PRI). The Financial Investment Board (now Investment Committee) undertook an in-depth review of its climate risk exposure in 2021 resulting in a commitment to achieve net zero carbon emissions by 2040 together with the development of interim goals via a transition pathway. 02 May 2024		4	31-Mar-2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 07a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Committee (along with other relevant Committees/Boards) receives an annual Transparency	City's submission is being currently being finalised. The PRI are expecting to release the results of the submission in November 2023. The full 2022/23 PRI results were released in January 2024, and the results were presented to the April Investment Committee.	Kate Limna	02-May-2024	31-Mar-2024

	Report from the PRI from which it can evaluate progress against responsible investment goals.	The PRI 2023/2024 assessment opened on 2 May 2024, and closes 26 July 2024.			
CHB FIB 07c	As part of the regular management and monitoring of investment mandates, the Committee and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the Committee on its monitoring of ESG risks on a quarterly basis.	The Board Committee receives regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. The Board Committee has established new climate risk expectations for existing and potential investment managers and these form part of the regular ongoing monitoring of managers' performance.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 07e	There is a general commitment by the City Corporation to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Committee reviews asset stewardship across its investment mandates on an annual basis and uses the exercise encourage better ESG outcomes amongst its existing managers (this will need to be done in conjunction with other committees which now have investment oversight responsibilities).	All of the City's Cash Estate UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.		02-May-2024	31-Mar-2024
CHB FIB 07f	The Committee (along with other relevant Committees/Boards) has been assigned several key actions which will enable the Corporation to deliver its Climate Action Strategy. Key to this is achieving a clear plan on how to achieve Paris-alignment by 2040.	With the support of a specialist external consultancy firm, an in-depth review of the climate risk exposure involving the use of scenario analysis, the development of a transition pathway consistent with a net zero by 2040 commitment, and the establishment of expectations for existing and potential mandates was undertaken . The transition pathway itself involves a series of specific actions with various deadlines which the Committee (along with other relevant Boards and Committees) will target over the coming years. A second scenario analysis will be carried out during 2024/25.		02-May-2024	31-Mar-2024

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Kate Limna; Priya Nair	Cause: External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to. Event: Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. Effect: Asset valuations at risk.		<u>2</u>	The current Treasury Management Strategy restricts lending to high-quality counterparties and remains fit for purpose. External credit ratings for existing counterparties are currently at acceptable levels although credit default swap prices for the existing counterparties (where available) have been gradually rising over the last quarter. 02 May 2024		<u>2</u>	31-Mar-2024	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 04a	Detailed due diligence is carried out when new counterparties are onboarded.	Independent analysis and consultation with treasury investment advisor when adding additional counterparties. Where the Corporation invests in money market funds, officers monitor the funds' weekly liquidity profiles to ensure the vehicles retain adequate liquidity. At present, there are no liquidity concerns with any of the Corporation's existing fund counterparties. These funds invest in very short term and very high-quality instruments, so default risk is low. The Corporation's short-dated bond fund investments are more sensitive to changes in economic conditions and performance is more volatile. Short term interest rates have increased during 202 <u>3</u> 2 and this has had a negative impact on the total returns available from the short-dated bond funds. However, the Corporation invests in these instruments on a longer-term basis (at least three years) where there is a greater tolerance for volatility in returns, <u>and these only impact City Fund.</u> Officers also continue to monitor changes in the credit standing of direct counterparties via ratings changes from the three main credit rating agencies and other news.	Kate Limna	02-May-2024	31-Mar-2024

CHB FIB 04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement.	All lending is conducted within the parameters of the current 2024/25 Treasury Management Strategy Statement <u>& Annual Investment Strategy (relating to Treasury Management) (TMSS)</u> as agreed by Court of Common Council (CoCo) on 7 March 2024.. Additionally, officers have implemented financial metric-based criteria for determining the eligibility of local authority borrowers. When onboarding new financial institutions, officers review banks' financial standing including standard financial reporting ratios for assessing capitalisation and liquidity.	Kate Limna	02-May-2024	31-Mar-2024
CHB FIB 04c	Monitor markets regularly through credit rating updates and financial publications, plus seeking the advice of treasury investment advisors when appropriate.	Officers continually monitor for credit rating updates as well as the financial press and industry publications in search of any news regarding the Corporation's counterparties. Treasury investment advisors provide rating agency credit watches and other market data including Credit Default Swap prices on money market participants.	Kate Limna	02-May-2024	31-Mar-2024

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Committee: Investment Committee	Dated: 21 May 2024
Subject: Treasury Management Update as at 31 March 2024	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Discussion
Report author: Adam Buckley – Chamberlain’s Department	

Summary

This report provides a summary of the City of London Corporation’s treasury management portfolio (investments) as at 31 March 2024. The report includes an update on the current asset allocation of the short-term investment portfolio and its performance. A monthly investment review report produced by the Corporation’s treasury management consultants, Link Treasury Services, is included at Appendix 3.

The treasury position was last reviewed by the Investment Committee at the meeting on 12 February 2024, when they received a report outlining the treasury position as at 31 December 2023.

The treasury management investment portfolio had a market value of £901.2m as at 31 March 2024, which is a decrease of £103.9m from the balance previously reported as at as at 31 December 2023 (£1,005.1m).

The annual consumer price inflation rate in the UK rose by 3.2% in the 12 months to March 2024, down from 3.4% in February and 4.0% in January 2024. The Bank of England’s Monetary Policy Committee (MPC) maintained the Bank Rate at 5.25% for a fifth consecutive time at its meeting on 21 March 2024, after the rate was also unchanged at the previous four meetings in February 2024, and December, November and September 2023. The markets view is that the rate has now peaked at 5.25%, with no cuts expected to materialise until Q3 of 2024. However, this sentiment remains volatile and may change in the near-term on the back of fresh central bank speakers, as well as both domestic and international data releases.

The increase in rates throughout 2023 allowed the Corporation to obtain higher yields across its asset allocations, though officers expect interest income to begin to decrease over 2024/25 if the MPC’s current restrictive policy stance begins to loosen.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Investment Committee will receive an update on the treasury management portfolio at each meeting. Officers have compiled this report to provide additional context to the short-term investment portfolio as at 31 March 2024.

Current Position

2. The treasury management investment portfolio had a market value of £901.2m as at 31 March 2024, which is a decrease of £103.9m from the balance previously reported as at as at 31 December 2023 (£1,005.1m). This decrease is principally due to:-
 - business rates payments to central government (£315.8m);
 - business rates refunds (£35.6m);
 - expenditure on Major Projects (£19.9m); and
 - a property premium insurance payment (£17.0m); offset by
 - business rates income of £182.2m;
 - financial Investment drawdowns totalling £120.4m; and
 - receipts from lease premiums (£19.4m).

Asset Allocation

3. In accordance with the current Treasury Management Strategy Statement 2024/25, surplus cash is invested first and foremost with the aim of securing the Corporation's financial assets and secondly in line with the organisation's liquidity requirements (i.e. ensuring the cash is available when needed to meet the Corporation's spending obligations). Once these two objectives have been satisfied, the Corporation targets the best returns available in the sterling money markets.
4. A summary of the asset allocation by instrument type as at 31 March 2024, 31 December 2023 and 31 March 2023 is set out in Table 1.

Table 1: Asset allocation as at 31 March 2024

	31-Mar-2023		31-Dec-2023		31-Mar-2024	
	£m	%	£m	%	£m	%
Fixed Term Deposit	535.0	51%	490.0	49%	350.0	39%
Notice accounts	140.0	13%	90.0	9%	90.0	10%
Short Dated Bond Funds	151.0	15%	159.8	16%	159.0	18%
Ultra Short Dated Bond Funds	139.2	13%	145.1	14%	147.0	16%
Liquidity Fund	82.5	8%	120.2	12%	155.2	17%
Total	1,047.7	100%	1,005.1	100%	901.2	100%

5. As at 31 March 2024, most of the Corporation's cash balances are invested on a short term (under one year) basis with eligible banks, with the highest allocation via fixed term deposits (39%); a reduction of £140m from the previous reporting date, due to the decrease in the portfolio total as detailed at paragraph 2 above, and the increase in funds invested in Liquidity funds. Liquidity funds now make up around 17% of the portfolio; these balances are very liquid and can be accessed on the day. There have been no changes in the amount of funds that are invested in notice accounts, which make up 10% of the portfolio.

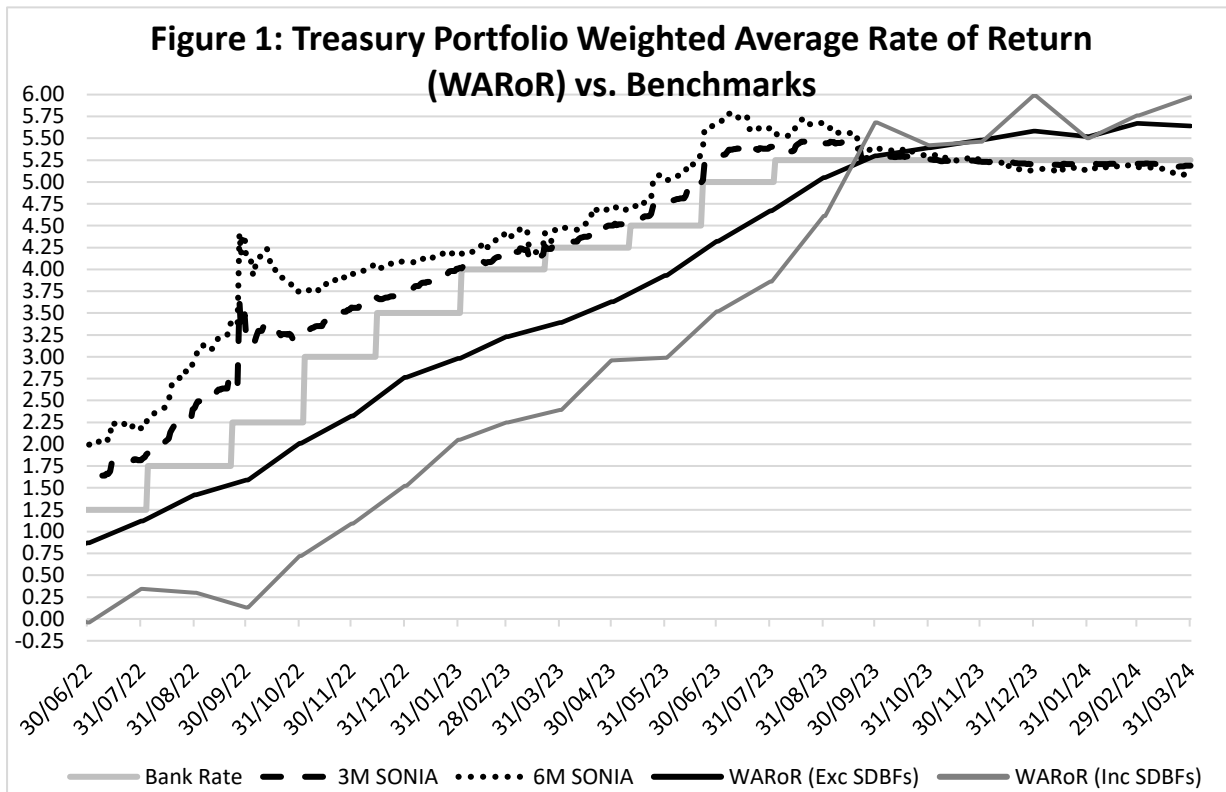
6. The ultra-short dated bond funds account for 16% of the treasury portfolio. These instruments are also very liquid (funds can be redeemed with two to three days' notice) but their market value is more volatile than liquidity funds. Ultra-short dated bond funds are suitable for surplus cash balances with an investment horizon of six months or more. The remaining portion of the portfolio (18%) continues to be invested in short dated bond funds. These funds are invested in investment grade credit instruments and currently have a duration (weighted average time to maturity) of around 3 years. The value of the short dated bond funds can be volatile in the short term and should only be used for surplus cash balances with an investment horizon of at least three years (In light of this volatility, the Treasury Management Strategy Statement (TMSS) was amended with effect from 1 April 2022, so that only City Fund would maintain exposure to the short dated bond funds).
7. Further analysis on the composition of the portfolio as at 31 March 2024 is provided in the Monthly Investment Report at Appendix 3. A summary of counterparty exposure is also included at Appendix 1, as well an *Economic, Social, & Governance (ESG)* checklist of Treasury Management Counterparties (excluding local authorities) at Appendix 2.

Performance

8. The Bank of England's Monetary Policy Committee (MPC) maintained the Bank Rate at 5.25% for a fifth consecutive time at its meeting on 21 March 2024, after the rate was also unchanged at the previous four meetings in February 2024, and December, November, and September 2023. The decision was passed with a vote of 8-1, with the one dissenting vote favouring a reduction in the Bank Rate by 0.25 percentage points, to 5%. This was the first time since September 2021 that no one on the Bank's committee, which decides rates, voted for an increase. The accompanying policy statement from the March MPC meeting maintained that rates will remain "*restrictive for sufficiently long*" and restrictive for an "*extended period*" until the risk of inflation becoming embedded above the 2% target dissipates.
9. As previously reported, the market expectation is that rates have peaked at 5.25%. Current market expectations for cuts remain somewhat volatile since the recent round of central bank policy meetings and subsequent key data releases. This has seen market expectations for the first cut push out from June (as expected prior to the February MPC meeting) to either August or September, with a following cut to 4.75% now expected in Q4 or Q1 2025. LINK, our investment consultants, are currently forecasting no further changes in the rate until a decrease in Q3 of 2024 to 4.75%, reaching 4.25% by the end of the year, followed by further rate cuts through 2025 reaching 3.00% by September 2025 where it is assumed to plateau.
10. As the Bank Rate is the primary determinant of short-term interest rates in the UK, these changes impact the treasury investment portfolio, broadly in two ways:
 - a. As yields increase, the capital value of the Corporation's bond fund investments decline (i.e. when interest rates increase, bond prices decrease and vice versa). These investments are exposed to interest rate risk which the Corporation manages by ensuring the allocations are consistent with a longer-term investment horizon for this minority portion of the portfolio.
 - b. For the majority of the portfolio – which is invested in short term money market instruments – the increase in interest rates has meant that the

Corporation has benefitted from materially enhanced returns on new deposits and via the shorter term liquidity funds. A decrease in interest rates will result in reduced future returns from short term money market instruments.

- These effects can be seen in the weighted average rate of return (WARoR) for the portfolio over the past 21 months and is shown in figure 1 below. In this chart, the two WARoR lines represent the level of returns achieved by the Corporation while the “dashed”, and solid Bank Rate, lines represent suitable performance comparators.



- Sterling money market rates rose steadily in line with bank rate increases throughout most of 2022 and the first half of 2023, although they rose sharply at the end of September 2022 due to the Government's proposed fiscal stimulus plans, as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the perceived risk of the proposed significant tax cuts to the UK economy, as shown in figure 1 for 3-month and 6-month Sterling Overnight Index Average Rate (SONIA). Rates subsequently eased as the government reversed its plans and the Bank of England moved to quell market unease, though rates still trended upwards in line with expected bank rate increases in the first half of 2023 as the MPC moved to try and ease inflation. In the second half of 2023 Sterling money market rates began to ease, as the bank rate reached an assumed peak of 5.25% at the start of August 2023. Sterling money market rates began to decrease in the second half of 2023 as the market priced in a number of Bank Rate cuts over the next 12 months, though money market rates have steadied so far in 2024 as expectations on future price cuts have been pushed back further.
- Returns on the Corporation's short term investment portfolio excluding short dated funds trended upwards in 2023, as lower yielding deposits have matured and been replaced with new investments at a higher yield, as the Corporation capitalised on

the increase in interest rates. This is visible in the weighted average return excluding short dated bond funds above (which omits the two longer-term short dated bond fund investments in the portfolio). Rates were maintained at the end of 2023/24 as the restrictive monetary policy continued; however officers expect the current rate of return on the portfolio to decrease slightly over the start of 2024/25, as maturing deposits are likely to be reinvested at rates below those achieved in 2023/24, reflecting the market expectation that the MPC's current restrictive policy stance begins to loosen in 2024.

14. As month-to-month returns from the ultra-short and short dated bond fund investments can be volatile, for these instruments, officers have used the trailing 12 month total return to 31 March 2024 in calculating the portfolio returns displayed in figure 1 (i.e. the WARoR (Weighted Average Rate of Return)). Returns on these investments faced somewhat of a reality check at the start of 2024 following their historic end to 2023. Throughout most of 2023 bond prices weakened amid concerns that major central banks would keep increasing interest rates in order to quell inflation. This sentiment changed in November 2023, with growing optimism that inflation was cooling and interest rates would be lowered, and hence investors piled into bonds which drove up prices and triggered a powerfully rally at the end of 2023. However, in a partial reversal of the positive performance experienced over the final quarter of 2023, bond yields rose in Q1 2024 (meaning prices fell) as the likelihood of interest rate cuts as soon as March were pushed out until later in the year. Whilst inflationary pressures look to be subsiding, non-committal statements from central banks on the future trajectory of interest rates was enough to "spook" investors and hence some of the earlier gains have been given back.
15. To aid an effective assessment of performance, table 2 shows the historical return of the ultra-short and short dated bond fund investments on a total return basis over various time horizons under one year.

Table 2: Bond Fund Total Returns as at 31 March 2024

Fund	1 Month Return (29/02/2024 to 31/03/2024)	3 Month Return (31/12/2023 to 31/03/2024)	12 Month Return (31/03/2023 to 31/03/2024)
Federated Hermes Sterling Cash Plus Fund	0.40%	1.29%	5.19%
Aberdeen Standard Liquidity Fund Ultra Short Duration Sterling	0.50%	1.38%	5.57%
Payden Sterling Reserve Fund	0.63%	1.13%	5.63%
L&G Short Dated Sterling Corporate Bond Index Fund	1.47%	-0.94%	7.16%
Royal London Investment Grade Short Dated Credit Fund	1.49%	0.04%	7.78%

16. The most conservative fund (Federated) is listed first in table 2 and the longer-term investments (L&G and Royal London) are listed at the bottom to the table. The steadying in interest rates rises, especially since the end of July 2023,

compared to the sharp rise in September 2022, has had a positive effect on these short dated bond funds total returns over the last 12 months.

17. As noted above, the capital values of the bond funds – particularly the short-dated bond funds – can be volatile over the short term but they are expected to produce higher returns over the longer term. The Corporation deliberately allocates a small portion of the overall portfolio to these investments - an amount that can sustainably be invested over the medium term.
18. It should also be noted that fluctuations in the market value of investments do not impact the City Fund’s revenue position owing to the existence of the IFRS 9 statutory override, which has been extended for a further 2 years until 31 March 2025, which English local authorities are required to implement, and which requires unrealised capital gains and losses to be charged to an unusable reserve on the balance sheet rather than reported via income and expenditure.
19. As interest rates rise the bond managers are able to reinvest the maturing bonds at a higher yield, thus raising the level of income in the portfolio, that is, income, rather than capital gains, has generally made up a greater part of the total return generated by these funds. The income (distribution) yield on the bond funds with Royal London and L&G are 4.62% and 3.80% respectively as at the end of March 2024.
20. Previously, interest generated from short-dated bond funds was automatically reinvested, either by accumulating more shares or by increasing the price of the shares already held. The interest from these investments is now distributed – in the 7 month period ended 31 March 2024 the interest distributed from these funds totalled £3.2m (Royal London: £1.78m and L&G: £1.42m).

Interest on cash balances

21. A summary of the interest on *average cash balances* (i.e. the returns on the treasury management investment portfolio) for the 2023/24 financial year (1 April 2023 to 31 March 2024) as applicable to City Fund and City’s Estate is shown in Table 3 below.

Table 3: Interest on Cash Balances as at 31 March 2024

	2023/24 Original Budget	2023/24 Actual	2023/24 Better / (Worse)
	£’000	£’000	£’000
City Fund	27,026	54,048	27,022
City’s Estate	5,507	(714)	(6,221)
Total City Fund & City’s Estate Interest on average cash Balances	32,533	53,334	20,801

22. Income from interest on *average cash balances* exceeded the original budget by £20.8m principally due to higher than anticipated interest rates. The Bank of England base rate has increased from 3% in November 2022, when the original budget was set as part of the City of London Corporation’s Medium term financial plan (MTFP), to 5.25% in August 2023 where it has remained.

23. As noted above in accordance with the Treasury Management Strategy Statement (TMSS) for 2023/24, due to the volatility of the income and capital returns of the 2 non-specified investments (i.e. the two short dated bond funds (SDBF's)), only City Fund maintains exposure to these, including the interest earned – overall, in 2023/24 City Fund received an interest allocation of 4.82% on *average cash balances* held totalling £54.0m.
24. For all other funds, including City's Estate (i.e. those excluding the two SDBF's) an interest allocation of 4.29% on *average cash balances* held was made for 2023/24. However, due to some re-phasing of City's Estate capital expenditure, the cash position was overdrawn for part of the year resulting in an interest charge of some £0.7m.
25. Going forward, the cashflow position of the individual funds (i.e. City's Estate, and City Fund) will be reviewed on a monthly basis to ensure that the planned drawdowns from either the sale of property (City Fund and City's Estate) or financial assets (City's Estate only) are sufficient to cover the liquidity requirements, and the funds remain in surplus. A separate paper is on the agenda today in relation to the proposed drawdowns.

Cash Flow Forecast

26. The City Fund's medium-term cash flow forecast is currently being reviewed along with all the capital projects, including the major projects, to develop a detailed forecast and appropriate funding strategy. Stanhope Capital LLP has been appointed to provide a strategic investment advisory function working alongside the City's in-house Corporate Treasury and Investment Property teams, to provide expert advice on the investment strategy/allocation advice between property and financial investments; and advice on how to secure the best rates of return for the differing requirements for City Fund and City's Estate - a separate paper is on the agenda today in relation to this.

Conclusion

27. This report has provided a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 March 2024. Cash is invested across a range of counterparties and instruments in accordance with the Corporation's current Treasury Management Strategy Statement 2024/25.
28. Since the Investment Committee last reviewed the treasury position as at 31 December 2023, the Bank of England's Monetary Policy Committee (MPC) maintained its Bank Rate at 5.25% at its meeting in March 2024. The markets view is that the rate has now peaked at 5.25%, with no cuts expected to materialise until Q3 of 2024.
29. The accompanying policy statement from the March MPC meeting maintained that rates will remain "*restrictive for sufficiently long*" and restrictive for an "*extended period*" until the risk of inflation becoming embedded above the 2% target dissipates.
30. The increase in sterling money market rates in 2023 allowed the Corporation to obtain higher yields, though officers expect the current rate of return on the portfolio to begin to decrease over 2024/25, reflecting the market expectation that the MPC's current restrictive policy stance begins to loosen in 2024.
31. The 12 month returns on the Corporation's Short dated bond fund investments remain strong, following a partial reversal in Q1 of 2024 of the positive

performance experienced over the final quarter of 2023, which witnessed a rise in bond yields (meaning prices fell) as the likelihood of interest rate cuts as soon as March were pushed out until later in the year. These investments are appropriate for surplus cash balances that can be invested sustainably over the medium term given the expectation for higher returns over this time horizon, and they continue to generate strong income returns. The interest from these investments is distributed, quarterly for RLAM and twice yearly for L&G.

Appendices

Appendix 1: Counterparty Exposure as at 31 March 2024

Appendix 2: Treasury Management Counterparties 2024/25: Economic, Social & Governance (ESG) Checklist

Appendix 3: Monthly Investment Analysis Review March 2024

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APPENDIX 1: COUNTERPARTY EXPOSURE AS AT 31 MARCH 2024

	Counter- party Limit	Total Invested as at 31 March 2024	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>901.2</u>	<u>5.97%</u>
<u>FIXED TERM DEPOSITS</u>			
<u>UK BANKS</u>			
Goldman Sachs	100.0	70.0	5.89%
Santander	100.0	20.0	5.90%
NatWest	100.0	70.0	5.69%
		<u>160.0</u>	
<u>FOREIGN BANKS</u>			
Australia & New Zealand	100.0	30.0	5.57%
DBS Bank	100.0	10.0	5.33%
Toronto Dominion Bank	100.0	80.0	6.02%
United Overseas Bank	100.0	20.0	5.23%
		<u>140.0</u>	
<u>LOCAL AUTHORITIES</u>			
Central Bedfordshire Council	25.0	10.0	6.25%
Stockport Council	25.0	20.0	6.25%
Surrey County Council	25.0	20.0	6.50%
		<u>50.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen SLI Liquidity Fund	100.0	25.0	5.26%
CCLA - Public Sector Deposit Fund	100.0	25.0	5.26%
Deutsche Global Liquidity Fund	100.0	30.0	5.25%
Federated Prime Liquidity Fund	100.0	35.0	5.29%
Invesco Sterling Liquidity Fund	100.0	40.2	5.31%
		<u>155.2</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	65.3	5.63%
Aberdeen SLI Short Duration Fund	100.0	54.4	5.57%
Federated Sterling Cash Plus Fund	100.0	27.3	5.19%
		<u>147.0</u>	
<u>SHORT DATED BOND FUNDS</u>			
L&G	100.0	79.4	7.16%
Royal London	100.0	79.6	7.78%
		<u>159.0</u>	
<u>NOTICE ACCOUNTS</u>			
Australia and New Zealand 185 Days Ac- count	100.0	45.0	5.43%
Santander 95 Days Account*	100.0	45.0	5.80%
		<u>90.0</u>	
TOTAL		<u>901.2</u>	

*Notice has been given on this account, with the full £45m returning on 07/06/2024

APPENDIX 2: TREASURY MANAGEMENT COUNTERPARTIES 2024/25: ESG CHECKLIST

	Counterparty Name	UK (UK) or Foreign (f)	Net Zero Target Y/N	Date Net Zero Target	Interim Target	Signatory to PRI/TCFD	Which ones(s)?	Do they Publish ESG data? Y/N
	<u>UK Banks and their wholly owned subsidiaries</u>							
1	Barclays Bank PLC (NRFB)	UK	Y	2050	50% by 2030	Y	Both	Y
2	Barclays Bank UK PLC (RFB) - Same as parent company above							
3	Goldman Sachs International Bank	UK	Y	2050	N/A	Y	Both	Y
4	Handelsbanken PLC	Foreign	Y	2040	50% by 2030	Y	Both	Y
5	HSBC	UK	Y	2050	N/A	Y	Both	Y
6	HSBC Bank PLC (NRFB) - Same as parent company above							
7	Lloyds Bank Corporate Markets PLC (NRFB)	UK	Y	2050	50% by 2030	Y	TCFD	Y
8	Lloyds Bank PLC (RFB) - Same as parent company above							
9	Bank of Scotland	UK	Y	2050	50% by 2030	Y	TCFD	Y
10	NatWest Markets PLC (NRFB)	UK	Y	2050	50% by 2030	Y	TCFD	Y
11	National Westminster Bank PLC (RFB) - Same as parent company above							
12	The Royal Bank of Scotland PLC (RFB) - Same as parent company above							
13	Santander	UK	Y	2050	N/A	Y	Both	Y
	<u>Building Societies</u>							
14	Nationwide	UK	Y	2050	Separated by Scope	Y	TCFD	Y
15	Yorkshire	UK	Y	2050	Separated by Scope	Y	TCFD	Y
16	Coventry	UK	Y	2040	Separated by Scope	Y	TCFD	Y
17	Skipton	UK	Y	2050	Separated by Scope	Y	TCFD	Y
18	Leeds	UK	Y	2050	N/A	N	N/A	Y
	<u>Foreign Banks</u>							
19	Australia and New Zealand Banking Group	Foreign	Y	2050	N/A	Y	Both	Y
20	National Australia Bank Ltd	Foreign	Y	2050	N/A	Y	TCFD	Y
21	Bank of Montreal	Foreign	Y	2050	N/A	Y	TCFD	Y
22	Royal Bank of Canada	Foreign	Y	2050	N/A	Y	TCFD	Y

	Counterparty Name	UK (UK) or Foreign (f)	Net Zero Target Y/N	Date Net Zero Target	Interim Target	Signatory to PRI/TCFD	Which ones(s)?	Do they Publish ESG data?
23	Toronto-Dominion Bank	Foreign	Y	2050	N/A	Y	TCFD	Y
24	Landesbank Hessen-Thuringen Girozentrale (Helaba)	Foreign	N	NA	N/A	N		N
25	Cooperatieve Rabobank U.A.	Foreign	N	NA	N/A	N		N
26	DBS Bank Ltd	Foreign	Y	2050	N/A	Y	TCFD	Y
27	United Overseas Bank Ltd.	Foreign	Y	2050	N/A	Y	TCFD	Y
28	Skandinaviska Enskilda Banken AB	Foreign	Y	2050	N/A	Y	TCFD	Y
29	Swedbank AB	Foreign	Y	2050	N/A	Y	TCFD	Y
	Svenska Handelsbanken AB - Same a parent company (4)							
	Money Market Funds - Parent Companies Used (MMFs don't have net-zero targets)							
30	CCLA - Public Sector Deposit Fund	UK	N					
31	Federated Hermes Short-Term Sterling Prime Fund*	Foreign	Y	2050	N/A	Y	Both	Y
32	Aberdeen Sterling Liquidity Fund	UK	Y	2050	N/A	Y	Both	Y
33	Invesco Liquidity Funds Plc - Sterling Liquidity Portfolio	Foreign	N	2050	N/A	Y	Both	Y
34	DWS Deutsche Global Liquidity Series Plc – Sterling Fund	Foreign	Y	2050	N/A	Y	Both	Y
	Ultra Short Dates Bonds							
35	Payden Sterling Reserve Fund	UK	Y	2050	Based on engagement and other factors	Y	Both	Y
36	Federated Hermes Sterling Cash Plus Fund* - Same as Parent company (31)							
37	Aberdeen Standard Investments Short Duration Managed Liquidity Fund** - Same as parent company (32)							
	Short Dated Bond Funds							
38	Legal and General Short Dated Sterling Corporate Bond Index Fund	UK	Y	2050	50% by 2030	Y	Both	Y
39	Royal London Investment Grade Short Dated Credit Fund	UK	Y	2050	50% by 2030	Y	Both	Y

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City Of London Corporation

Client Designated MMF, SBDF & USDBF Rates

Monthly Investment Analysis Review

March 2024

Monthly Economic Summary

General Economy

The UK Manufacturing PMI rose to 49.9 in March from 47.5 in February, some way above market expectations of 47.8. UK factory activity nearly “stabilised” (ie a reading of 50 divides expansion from contraction), but still recorded a twentieth consecutive monthly contraction. Within the headline reading, subcomponents showed that manufacturers experienced the fastest expansion in new orders since May 2022, causing factories to increase production levels for the first time in a year and sparking renewed optimism, despite higher borrowing costs. However, on the pricing front, manufacturers observed accelerating input costs yet again with continued supply chain disruption as shippers avoid the Red Sea. Meanwhile, the UK Services PMI edged lower to 53.4 from 53.8 in February and below market expectations of an unchanged reading. This represented the slowest growth in business activity for three months, with firms linking it to constraints on households’ disposable income. Consequently, the UK composite PMI fell to 52.9 in March from 53 in February and slightly below market expectations of 53.1. Nonetheless, it was the fifth consecutive month of expansion for the UK private sector driven by a strong rate of output growth. This added to expectations that the UK would avoid a third consecutive negative quarterly growth reading in Q1, meaning that the mildest of recessions seen in the second half of 2023 was now concluded. Meanwhile, the UK construction PMI increased to 49.7 in February from 48.8 in January (it is released on a one-month lag to other sector reports), the highest since August 2023.

The UK economy expanded 0.2% m/m in January, following a 0.1% contraction in December and matching market expectations. Services output rose by 0.2% with strong retail trade and construction output rebounded by 1.1% after a poor December. However, industrial output fell by 0.2% in January after a 0.6% rise in December. Elsewhere, the UK’s trade deficit widened to £3.129 billion in January, after a three-month low in December, driven by a 1.4% rise in imports, compared to a 0.7% rise in exports.

The Chancellor of the Exchequer, Jeremy Hunt, presented his 2024 Spring Budget. It aimed to boost the economy following the weaker performance in the second half of 2023 and ahead of the expected general election later this year. One key point was the 2p cut in National Insurance Contributions following on from the cut in the previous Autumn Statement to reduce tax burdens and support household finances.

The UK recorded a fall in 21,000 jobs in the three months prior to January, below market expectations of a 10,000 increase and following a 72,000 growth in the prior period. This was the first fall in job creation since September 2023. Meanwhile, average weekly earnings (including bonuses) in the UK increased 5.6% y/y in the three months to January, the least since July 2022, and slightly below market expectations of 5.7%. The unemployment rate edged up to 3.9% between November 2023 and January, just above the previous quarter increase of 3.8% and slightly above market expectations of no change.

Regarding inflation, the monthly Consumer Price Index (CPI) rose by 0.6%, reversing the 0.6% fall in January. However, base effects meant the headline annual rate dropped to 3.4% in February, reaching its lowest level since September 2021. The rate of price pressures declined significantly for food and non-alcoholic beverages, and restaurants and hotels, while there was also a slowdown in miscellaneous goods and services. Costs also fell at a slower pace for both housing and utilities and transport. The annual core inflation rate, excluding food and energy, fell to 4.5 % from 5.1% the prior month.

The Bank of England decided to keep Bank Rate at 5.25% in its March meeting as it waits to be certain that the country’s inflationary pressures have subsided back towards its target rate. The Monetary Policy Committee voted 8-1 in favour of keeping rates unchanged, with one member voting for a 25-basis point decrease. In the retail sector, sales remain unchanged in February after an upwardly revised 3.6% increase in January and beating market expectations of a 0.3% decline.

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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	25,000,000	5.26%		MMF	AAAm		
MMF CCLA	25,000,000	5.26%		MMF	AAAm		
MMF Deutsche	30,000,000	5.25%		MMF	AAAm		
MMF Federated Investors (UK)	35,000,000	5.29%		MMF	AAAm		
MMF Invesco	40,200,000	5.31%		MMF	AAAm		
USDBF Aberdeen Standard Investments	54,406,998	5.57%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	27,251,780	5.19%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	65,290,553	5.63%		USDBF	AAAf		
Australia and New Zealand Banking Group Ltd	10,000,000	5.48%	12/01/2024	12/04/2024	A+	0.001%	145
DBS Bank Ltd	10,000,000	5.33%	15/01/2024	15/04/2024	AA-	0.001%	96
Surrey County Council	20,000,000	6.50%	26/03/2024	26/04/2024	AA-	0.002%	0
NatWest Markets Plc (NRFB)	20,000,000	5.67%	12/10/2023	13/05/2024	A	0.005%	1042
Toronto Dominion Bank	20,000,000	5.27%	15/05/2023	15/05/2024	AA-	0.003%	573
Toronto Dominion Bank	20,000,000	5.72%	24/05/2023	24/05/2024	AA-	0.003%	688
Santander UK PLC	45,000,000	5.80%		Call68	A	0.008%	3706
Central Bedfordshire Council	10,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.005%	0
Stockport Metropolitan Borough Council	20,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.005%	0
Toronto Dominion Bank	20,000,000	6.53%	28/06/2023	26/06/2024	AA-	0.006%	1108
Toronto Dominion Bank	20,000,000	6.57%	18/07/2023	17/07/2024	AA-	0.007%	1376
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.017%	2489
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.017%	2489
Australia and New Zealand Banking Group Ltd	20,000,000	5.61%	17/11/2023	19/08/2024	A+	0.017%	3416
Goldman Sachs International Bank	20,000,000	6.15%	04/09/2023	04/09/2024	A+	0.019%	3803
Australia and New Zealand Banking Group Ltd	45,000,000	5.43%		Call185	A+	0.022%	10084
Santander UK PLC	20,000,000	5.90%	16/10/2023	16/10/2024	A	0.024%	4821
Goldman Sachs International Bank	20,000,000	5.23%	22/03/2024	22/11/2024	A+	0.029%	5717
United Overseas Bank Ltd	20,000,000	5.23%	28/03/2024	19/12/2024	AA-	0.017%	3351
NatWest Markets Plc (NRFB)	20,000,000	5.23%	10/01/2024	10/01/2025	A	0.035%	6904
NatWest Markets Plc (NRFB)	30,000,000	6.00%	07/08/2023	07/08/2026	A	0.175%	52554
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	79,384,397	7.16%					
ROYAL LONDON	79,645,439	7.78%					
Total Investments	£901,179,166	5.97%					
Total Investments - excluding Funds	£742,149,330	5.64%				0.024%	£104,363
Total Investments - Funds Only	£159,029,836	7.47%					

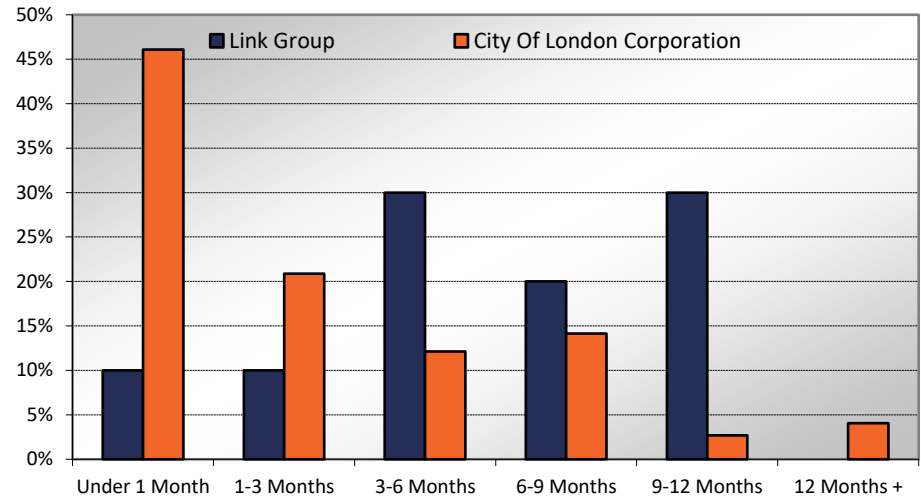
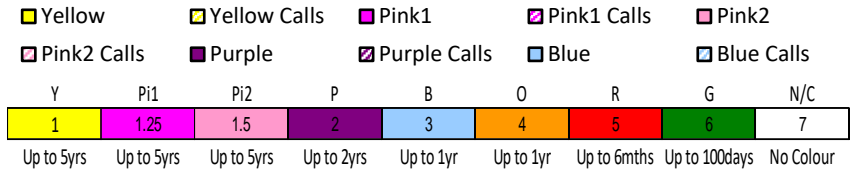
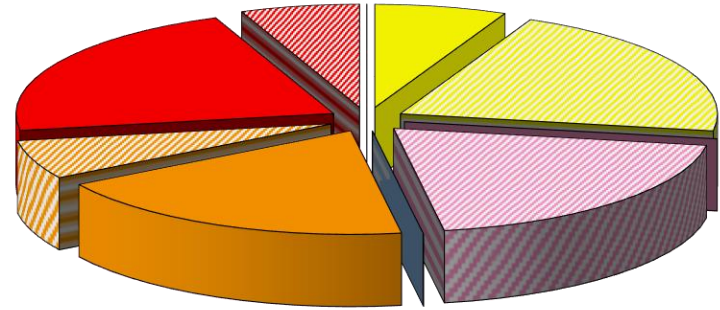
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2023 for Fitch, 1983-2023 for Moody's, S&P data was not available at the time of completion of this report.

Where Link Group have provided a return for a property fund, that return covers the 12 months to December 2023, which are the latest returns currently available.

City Of London Corporation

Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = 2.95

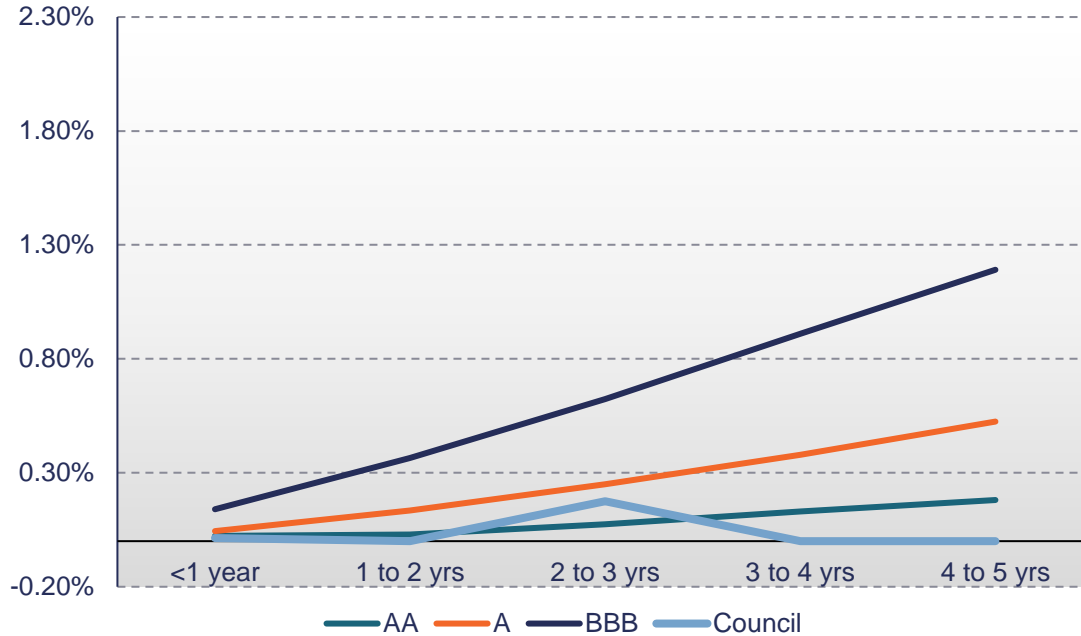
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	Excluding Calls/MMFs/USDBFs		
								WAM at Execution	WAM	WAM at Execution
Yellow	27.65%	£205,200,000	75.63%	£155,200,000	20.91%	5.54%	15	17	61	69
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	19.80%	£146,949,330	100.00%	£146,949,330	19.80%	5.52%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	24.93%	£185,000,000	24.32%	£45,000,000	6.06%	5.68%	122	271	102	299
Red	27.62%	£205,000,000	21.95%	£45,000,000	6.06%	5.80%	250	381	302	469
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
100.00%	£742,149,330	52.84%	£392,149,330	52.84%	5.64%	104	177	187	344	

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Investment Risk and Rating Exposure

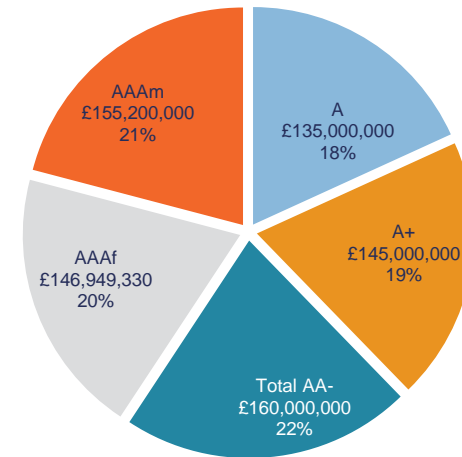
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.03%	0.07%	0.13%	0.18%
A	0.04%	0.13%	0.25%	0.38%	0.52%
BBB	0.14%	0.36%	0.62%	0.91%	1.19%
Council	0.01%	0.00%	0.18%	0.00%	0.00%

Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
20/03/2024	2010	Qatar	Qatar	The Sovereign Rating was upgraded to 'AA' from 'AA-'. The Outlook on the Sovereign Rating was changed to Stable from Positive.
22/03/2024	2011	Clydesdale Bank PLC	United Kingdom	The Short Term Rating was placed on Postive Watch.
25/03/2024	2015	United Kingdom	United Kingdom	The Outlook on the Sovereign Rating was changed to Stable from Negative.
28/03/2024	2016	Qatar National Bank	Qatar	The Long Term Rating was upgraded to 'A+' from 'A'. The Outlook on the Long Term Rating was changed to Stable from Positive.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
06/03/2024	2003	National Australia Bank Ltd.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
06/03/2024	2003	Westpac Banking Corp.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
06/03/2024	2003	Australia and New Zealand Banking Group Ltd.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
06/03/2024	2003	Commonwealth Bank of Australia	Australia	The Stable Outlook on the Long Term Rating was removed. The Long Term Rating was placed on Positive Watch.
06/03/2024	2003	Macquarie Bank Ltd.	Australia	The Long Term Rating was upgraded to 'Aa2' from 'A1'.
08/03/2024	2004	Clydesdale Bank PLC	United Kingdom	The Outlook on Long Term Rating was changed to Positive from Stable.
12/03/2024	2005	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was upgraded to 'Baa3' from 'Ba1' and the Short Term Rating was upgraded to 'P-3' from 'NP'.
15/03/2024	2006	Bayerische Landesbank	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
15/03/2024	2007	Landesbank Hessen-Thueringen Girozentrale	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
15/03/2024	2008	Norddeutsche Landesbank Girozentrale	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
15/03/2024	2009	Landesbank Baden-Wuerttemberg	Germany	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'.
22/03/2024	2012	Skandinaviska Enskilda Banken AB	Sweden	The Outlook on the Long Term Rating was changed to Positive from Stable.
22/03/2024	2014	Clydesdale Bank PLC	United Kingdom	The Positive Outlook on the Long Term Rating was removed. The Long Term Rating and Short Term Rating were placed on Positive Watch.

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Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
22/03/2024	2013	Clydesdale Bank PLC	United Kingdom	The Stable Outlook on the Long Term Rating was removed. The Long Term Rating and Short Term Rating were placed on Positive Watch.

Whilst Link Group makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Link Group should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the advice or information as a substitute for the exercise by the Client of its own judgement.

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