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# Investment Committee APPENDIX PACK

Date: THURSDAY, 25 JULY 2024

**Time:** 10.00 am

Venue: COMMITTEE ROOMS, WEST WING, GUILDHALL

### 5. RISK REGISTER UPDATE FOR INVESTMENT COMMITTEE

Joint Report of the City Surveyor and the Chamberlain.

For Decision (Pages 5 - 34)

# 6. TREASURY MANAGEMENT UPDATE AS AT 31 MAY 2024

Report of the Chamberlain.

For Discussion (Pages 35 - 48)

# 7. CITY SURVEYOR'S BUSINESS PLAN 2023-28 QUARTER 4 2023/24 UPDATE Report of the City Surveyor.

For Information (Pages 49 - 56)

# 13. REAL ESTATE INVESTMENT STRATEGY

Report of the City Surveyor.

For Decision (Pages 57 - 68)

## 17. PUDDLE DOCK – DEVELOPMENT OPTIONS REVIEW

Report of the City Surveyor.

For Decision (Pages 69 - 102)

# 18. CITY FUND - CALCUTTA HOUSE AND 133 WHITECHAPEL HIGH STREET

Report of the City Surveyor.

For Decision (Pages 103 - 110)

# 19. ONE SALISBURY SQUARE / SUSTAINABILITY ENHANCEMENTS

Report of the City Surveyor.

For Decision (Pages 111 - 160)

### 22. PERFORMANCE MONITORING TO 31 MAY 2024: CITY'S ESTATE

Report of the Chamberlain.

For Discussion (Pages 161 - 176)

### 24. HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 31 MARCH 2024

Report of the Chamberlain.

For Discussion (Pages 177 - 178)

### 25. CITY FUND & CITY'S ESTATE: INVESTMENT PROPERTY MONITORING REPORT

Report of the City Surveyor.

For Information (Pages 179 - 188)

### 26. CITY'S ESTATE & CITY FUND ESTATE: PERFORMANCE MONITORING OF PROPERTY INVESTMENT PORTFOLIOS TO 31ST MARCH 2024

Report of the City Surveyor.

For Information (Pages 189 - 204)

### 28. CITY SURVEYOR REVENUE OUTTURN 2023-24

Report of the City Surveyor.

For Information (Pages 205 - 212)

# 29. CITY FUND & CITY'S ESTATE REVENUE WORKS PROGRAMME - UPDATE (HALF YEARLY REPORT)

Report of the City Surveyor.

For Information (Pages 213 - 216)

# 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 1		High level mitigating action	Target Risk Rating & Score		
IC 01 Investment performance: Strategy risk 3-May-2024 C Al-Beyerty	<ul> <li>Cause: Inappropriate split of assets between property and financial assets and/or inappropriate asset allocation within the underlying property and financial portfolios</li> <li>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</li> <li>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</li> </ul>	Poortina and a second s		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 Performance monitored on a regular basis against targets to highlight any shortfall and potential action needed 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	Impact	4	

Risk Code, Title and Ownership	Risk Description (Cause, Event, Impact)	Current Risk Rating	Rating & Score High level mitigating action		Target Risk Rating & Score			
IC 02 External Economic risk 3-May-2024 C Al-Beyerty	<ul> <li>Cause: Adverse global economic developments or unexpected geopolitical crisis (e.g. Covid, Russian invasion of Ukraine, etc.)</li> <li>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</li> <li>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)</li> </ul>	Impact	12	Continuous monitoring of external developments across markets 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	Impact	6		

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	<ul> <li>Cause: Inadequate understanding of regulations and investment practices among Members, officers and other staff involved in the investment portfolio etc.</li> <li>Event: Committee Members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach.</li> <li>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.</li> </ul>	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	Impact 2	31-Mar- 2024	Constant

Action no	Action description	Latest Note		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	appropriate to enhance understanding of markets, financial instruments, regulatory and	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 & S	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	<ul> <li>Cause: Inaccurate cash flow modelling for Corporation as a whole.</li> <li>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.</li> <li>Effect: Overdrawn position incurs unnecessary expenditure and missed payments damage the Corporation's reputation. Inefficient treasury management decisions increase costs.</li> </ul>	Impact	<u>8</u>	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. <b>26 Feb 2024</b>	Impact	4	31-Mar- 2024	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 05a	inflows and outflows over the year forward to ensure a	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		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
IC 05 Sustainability and impact 3-May-2024 C Al-Beyerty	<ul> <li>Cause: Insufficient attention is paid to the City's sustainability goals and Climate Action Strategy in managing the investment portfolio</li> <li>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</li> <li>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</li> </ul>	4	Regular monitoring and reporting of the portfolio against sustainability and climate change targets enabling the Investment Committee to challenge officers and staff on progress 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 Setting clear sustainability objectives for the internal property team and assessing their recommendations in light of those objectives	4

# SUR Departmental risks - DETAILED REPORT EXCLUDING COMPLETED ACTIONS for COMMITTEE

**Report Author:** Faith Bowman **Generated on:** 13 June 2024



Rows are sorted by Risk Score

SUR SMT 005 Construction and Service Contracts Price Inflation Event: Project and programme cost escalation Impact: Inability to delivery capital and revenue projects within budget       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       16       Material costs and labour availability are continuing to raise costs beyond that has been anticipated or planned. This item impacts property projects, our facilities management (FM) provision, reactive repairs, and revenue works.       6       31-Mar- 2025         Whilst construction cost inflation had been forecast to level out, this has yet to happen. This is across both building materials and construction expertise where labour constraints continue to place upward pressure on pricing.       Impact       Market conditions remain dynamic and will be kept under review. As such the target date should be considered a review point.       Reduce       Constant         14-Oct-2021       Impact       13 Jun 2024       13 Jun 2024       Reduce       Constant		Risk Description (Cause, Event, Impact)	Current Risk Rating &	z Score	Risk Update and date of update	Target Risk Rating	& Score	Target Date/Risk Approach	Current Risk score change indicator
	Construction and Service Contracts Price Inflation beyond that which was anticipated or planned	led to input price inflation <b>Event:</b> Project and programme cost escalation <b>Impact</b> : Inability to delivery capital and revenue projects			<ul><li>beyond that has been anticipated or planned.</li><li>This item impacts property projects, our facilities management (FM) provision, reactive repairs, and revenue works.</li><li>Whilst construction cost inflation had been forecast to level out, this has yet to happen. This is across both building materials and construction expertise where labour constraints continue to place upward pressure on pricing.</li><li>Market conditions remain dynamic and will be kept under review. As such the target date should be considered a review point.</li></ul>		6	2025	Constant

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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date	
	Procurement Strategy The department is working with legal and procurement to identify different buying options, thereby managing the risk to the department / organisation.	This exploration included a review of the prior Single Stage tender process (which had been preferred for medium range projects - £2m - £50m). Following the review Two Stage contracts will be used more frequently which is the current market norm for these projects. This change enables contractors to better transfer their risk, however, leaves the City with a degree of cost uncertainty, even post Gateway 5. Whilst this transfer is not desired, it does offer far better market coverage and reflects the prevailing external conditions.	Ola Obadara	13-Jun- 2024	31-Mar- 2025	
	Contracts Exploring the potential to include different clauses into contracts such that work offered by the City remains attractive to suppliers.	The department and the Chamberlain's Procurement team have explored the inclusion of fluctuating provisions in our contracts. This 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	13-Jun- 2024	31-Mar- 2025	
	Contract Engagement Expanding the amount of information available at an early stage of contract exploration. This will provide greater cost certainty.	The team plan to engage early with our contractors on a consultancy basis to obtain as much information as possible prior to contract.	Ola Obadara	13-Jun- 2024	31-Mar- 2025	
	Specification and Materials 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.	Inflation in raw materials has decreased, however, it should be noted that prices are not typically falling elsewhere. Further consideration is being given to the origin of source materials to ensure supply.	Ola Obadara	13-Jun- 2024	31-Mar- 2025	

Page 1		Risk Description (Cause, Event, Impact)	Current Risk Ratir Score	1g &	Risk Update and date of update	Target Risk Rating &	& Score	Target Date/Risk Approach	Current Risk score change indicator
3	Construction Consultancy Management	Cause: Poor performance by consultants Event: Abortive work, delays, or non- performance. Impact: Additional costs, project delays	Impact	16	<ul> <li>This relates to abortive design / development.</li> <li>The department continues to suffer the impacts of this risk, with action being taken against consultants when their performance does not meet expectations. Individuals assigned in the commercial market to City (and public sector generally) projects often do not have the skill and competency required to deliver the work to the standard required. This issue is being seen across the construction industry.</li> <li><b>13 Jun 2024</b></li> </ul>	Impact	4	31-Mar- 2025 Reduce	Constant
	Ola Obadara								

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
		coming months.	Ola Obadara	13-Jun- 2024	31-Mar- 2025
	0	Where performance has been poor action has been taken against consultants which has increased end-to-end timescales. Due to public sector contract constraints, our ability to seek immediate redress from construction consultancy contractors is limited whilst action is taken, results take longer than would otherwise be possible in a commercial environment. The department is working with colleagues through the Construction Category Board on this item.	Ola Obadara	13-Jun- 2024	31-Mar- 2025
SUR SMT 006c			Ola Obadara	13-Jun- 2024	31-Mar- 2025

	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.	The City Surveyor's Department participated 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. Subsequently further engagement with colleagues has taken place to consider lessons learnt and next steps.		
SUR SMT 006d		Detailed scoping is required to ensure that projects are delivered on-time and on-budget which 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 which has contributed to the overall red risk rating. Further actions are being explored; however, this is an industry wide issue (particularly for public sector organisations).	Ola Obadara	 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	Action has been taken against consultants where performance has been poor which has resulted in increased end to end timescales.	Ola Obadara	 31-Mar- 2025

Page 15	Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Ratin	ng & 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	<b>Cause</b> : 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 <b>Event</b> : 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) <b>Impact</b> : 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 borne by the organisation though recruitment campaigns and training etc, or to the department through filling vacancies through comparatively expensive temporary contracts.		16	<ul> <li>This risk has been identified across several divisions of the City Surveyor's Department particularly within Investment Property, Surveying and Project Management.</li> <li>This risk was reviewed in June 2024 and its risk score maintained due to specific issues in certain industries.</li> <li>The department continues to engage with corporate colleagues to mitigate this risk over the long term.</li> <li>The risk will be kept under review, with the target date reflecting this on-going review.</li> <li>12 Jun 2024</li> </ul>	Impact 8	31-Mar- 2025 Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
			Paul Wilkinson		31-Mar- 2025

	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.	CSD is supporting Corporate HR with embedding the on-line appraisal system which enables greater tracking of compliance with the performance management process.	Paul Wilkinson	13-Jun- 2024	31-Mar- 2025
SUR SMT 009c	Communication 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.	Managers across the department are in the process of ensuring that all end of year appraisals have been inputted into the system.	Paul Wilkinson	13-Jun- 2024	31-Mar- 2025
	Engagement with HR 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).	Corporate HR have delivered a new staff survey, and the department will develop an action plan in September following analysis of the results.	Paul Wilkinson	13-Jun- 2024	31-Mar- 2025
SUR SMT 009e	Equalities, Diversity and Inclusion 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	The CSD ED&I group continues to meet regularly and monitors and tracks delivery of the ED&I action plan. The June meeting included updates from the Corporate Equalities team and the WIN and Carers and Parents staff networks. A neurodiversity all staff talk has been scheduled in September which will cover the full end-to-end process of responsible procurement, the contractor's commitment to delivery, and the social value impact.	Ola Obadara	13-Jun- 2024	31-Mar- 2025

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SUR SMT 0	09f Pay and Review Survey	The department has highlighted that there are specific pressures within this department in relation to the withdrawal of the earlier reward scheme (where those on top-of-grading salaries could achieve performance related pay) prior to		31-Mar- 2025
	The Corporation is reviewing pay & reward	the review conclusions which has made our renumeration package less competitive than our peers. The department is engaging with Korn Ferry who are currently conducting the Ambition 25 review of pay and reward. Local feedback suggests that whilst recruitment is possible, the limited scope for (pay and professional) progression makes retention is more challenging and existing staff are concerned about their current pay and of potential negative impact from Ambition 25.		

creation date, owner	g & Score	Target Date/Risk Approach	Current Risk score change indicator
SUR SMT 011 Contractor Failure       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       Impact       Impact <td>4</td> <td>31-Mar- 2025 Reduce</td> <td>Constant</td>	4	31-Mar- 2025 Reduce	Constant

Action no	Action description		Action owner	Latest Note Date	Due Date
	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.	greater account of contractor and sub-contractor failure into consideration. We may need to have a greater say in who a main contractor identifies as an appropriate sub-Contractor. Further actions to	Ola Obadara		31-Mar- 2025
		The department is instituting six-monthly reviews of contractor suitability. Historically this only happened at contract commencement. This will better prepare the organisation if the contractor (or significant sub-contractor) begins to experience difficulty.	Ola Obadara	13-Jun- 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 016 Investment Property Group staffing and Capacity 12-Jun-2024	team is misaligned to deliver changing requirements. <b>Event:</b> Inability to undertake the management of	Impact	This risk identifies the significant volume and change in the nature of activities to be delivered by the team including; more demanding Investment Objectives, supporting delivery of major projects, increased lease restructures and transactions, implementation of Destination City and City Occupiers Strategy and City Bridge Foundation (CBF) being an independent client with different reporting requirements and investment strategy. New skills within the Investment Property Group are required to optimise engagement with the market to raise external capital sources and meet the demands of fund management/ analytics and the management of joint ventures to deliver on changing requirements. The aim is to produce a team which is enabled to deliver high value / judgement / decision making capability with outsourcing of low-level administrative tasks to deliver the income and capital that the Corporation and CBF requires. This risk is Linked to Recruitment & Retention risk (SUR SMT 009) and Investment Strategy Risk (SUR SMT 003) <b>12 Jun 2024</b>	Impact 2	31-Mar- 2025 Reduce	Constant

Action no	Action description	Latest Note		Latest Note Date	Due Date
	Funding Funding request to resource the extra capacity and capability required.		Robert Murphy	12-Jun- 2024	31-Mar- 2025
SUR SMT 016b	Training Training on new capabilities to be delivered to existing IPG staff.		Robert Murphy	12-Jun- 2024	31-Mar- 2025
SUR SMT 016d	Approval Seek City Bridge Foundation's approval to the cost consequences of enhanced capability.	Investment Property Group will seek City Bridge's Foundation approval following Investment Committee in July.		12-Jun- 2024	31-Mar- 2025
	Secondments To consider whether secondments within IPG would support the influx of corporate requests.		Robert Murphy	12-Jun- 2024	31-Mar- 2025

Page	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
19	Investment Strategy Risk	Cause: The business environment declines, flexible working reduces central London demand, retail tenant failure, or demand moves away from City of London assets. <b>Event:</b> Lower rental levels achieved, lower demand, increased turnover of tenancies, increased tenant failure. <b>Impact:</b> Inability to maximise property returns and income for an acceptable level of risk.	Impact 12	<ul> <li>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.</li> <li>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.</li> <li>As the composition of the portfolio changes, new skills will be required by those working within the function.</li> <li>This links closely with the department's Recruitment &amp; Retention risk (SUR SMT 009) and IPG staffing and capacity risk (SUR SMT 016)</li> <li>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.</li> <li><b>13 Jun 2024</b></li> </ul>		31-Mar- 2025 Reduce	Constant

Action no	Action description	Latest Note		Latest Note Date	Due Date
SUR SMT 003a	Within an overarching Investment	estate investments. The actions described will be undertaken in the context of the approved overarching strategy. Consideration includes the potential for recession, inflation, energy pricing etc. and how this will impact tenants and the wider market.	Robert Murphy	13-Jun-2024	31-Mar- 2025

SUR SM	ИТ 003Ь	Portfolio 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.	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	21-Feb- 2024	31-Mar- 2025
SUR SM		Climate Action       Ensure that the investment portfolios are compliant with the emerging demands of both invest as well as the Corporation's Climate Action strategy and Design Standards.         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.       Ensure that the investment portfolios are compliant with the emerging demands of both invest as well as the Corporation's Climate Action strategy and Design Standards.         Office risk       The department is monitoring key market use through data supplied by partners (such as footf		Robert Murphy	13-Jun-2024	31-Mar- 2025
SUR SI		Office risk Reviewing post-pandemic office use and demand.	The department is monitoring key market use through data supplied by partners (such as footfall information), market research reports, and tenant feedback. The department continues to observe a 'flight to quality' – higher specified and higher quality spaces. Occupiers are increasingly considering their space as a tool to attract 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). The team is working with corporate colleagues in connection with the "Destination City" agenda, particularly in highlighting market trends to Members and key stakeholders.	Robert Murphy	13-Jun-2024	31-Mar- 2025
SUR SM	ИТ 003е	Retail 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.	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 and the production of the Rental collection snapshot by the Chamberlain's Department.	Robert Murphy	13-Jun-2024	31-Mar- 2025
SUR SM		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	13-Jun-2024	31-Mar- 2025

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Ratir Score	ng &	Risk Update and date of update	Target Risk Rating &	Score	Target Date/Risk Approach	Current Risk score change indicator
Insurance - Investment and Corporate Estates 26-May-2022	<b>Cause</b> : 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. <b>Event</b> : 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 <b>Impact</b> : 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.		12	<ul> <li>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.</li> <li>The last on-site valuations of the Investment Property Group estate and corporate buildings (other than special sites) was undertaken in 2015.</li> <li>Funding has recently been identified and a budget is now in place. Tender documents have been drafted.</li> <li>Once contractors are on-site and progressing with completing this activity the risk rating should start to reduce.</li> <li>13 Jun 2024</li> </ul>	Impact	1	31-Mar- 2025 Reduce	Constan

Action no	Action description		Action owner	Latest Note Date	Due Date
	Register of data Ensuring the completeness of the organisation's data sets to ensure that assets are not 'lost' and accuracy of our risk scoring.	A property schedule exists, and this has been updated with the survey carried out on Special Sites (by RLF). R		13-Jun- 2024	31-Jan- 2025
	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 Joh ppropriate. Funding has been agreed and a budget line identified where relevant within the City Corporation.		13-Jun- 2024	31-Mar- 2025
SUR SMT 010c			Robert Murphy	13-Jun- 2024	31-Mar- 2025

Page 22	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
	Adjudication & Disputes	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.	Impact	8	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. 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. <b>13 Jun 2024</b>	Impact	4	31-Mar- 2025	Constant

Action no	Action description		Latest Note Date	Due Date
SUR SMT 012a	Claims consultant can advise the organisation where it can seek to	Obadara		31-Mar- 2025

# CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

**Report Author:** Priya Nair **Generated on:** 11 June 2024



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & S	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	<ul> <li>Cause: The asset allocation of the City's Cash investment portfolio is unable to fund long term expenditure requirements due to market movements.</li> <li>Event: There are insufficient assets to meet expenditure requirements.</li> <li>Effect: Reduced income or lower than anticipated growth which could impact on the Corporation's medium term financial plans. City's Cash would be required to sell financial assets to fund expenditure requirements.</li> </ul>	Impact		From 1 April 2024 the return target for City's Estate has been set at CPI+4% on a rolling 5year basisThe absolute return target for City's Estate has been set at CPI + 4%. The Fund generated a positive absolute return of +11.8% for the year to 31 March 2024, and is outperforming its absolute return target over all time horizons except the 3-year period. The Fund has produced a positive return over all time frames. 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		31-Mar- 2025	

924		

		<del>enthusiasm around Artificial</del> <del>Intelligence</del> .		
08-Mar-2018		05 July 2024		Constant
Kate Limna; Priya Nair				

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a		<ul> <li>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 Estate (property and financial investments). Draft Investment Strategies have been commented on for City Fund and City's Estate by the Committee; these working drafts will be further developed over the next 3-6 months.</li> <li>The OCIO function will be advising on: <ul> <li><i>City Fund and City's Estate</i>: diversification of asset classes within appetite and appropriate pace for transition.</li> <li><i>City Fund &amp; City's Estate</i>: Suitable income targets.</li> </ul> </li> <li>The City's Estate Investment strategy is expected to be reviewed in 2024/25.</li> </ul>	Caroline Al- Beyerty; Kate Limna	5 July 2024	31-Mar- 2025
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 Estate investment performance will be brought to each meeting of the Investment Committee for consideration.	Kate Limna	22-May- 2024	31-Mar- 2025

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating a	& 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 08-Mar-2018 Kate Limna; Priya Nair	<ul> <li>Cause: Fund managers fail to achieve the targeted investment returns because</li> <li>the Committee appoints unsuitable fund managers,</li> <li>individual fund managers underperform against the benchmarks agreed by the Committee,</li> <li>aggregate fund manager performance fails to achieve the Committee's long-term targets</li> <li>Event: Failure to be seen to manage the fund responsibly.</li> <li>Effect: Supervisory intervention over management of the funds.</li> </ul>	Impact	6	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. 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. 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. 5 July 2024	Impact	6	31-Mar- 2025	Constant

Action no	Action description		Latest Note Date	Due Date
CHB FIB 02a	performance is measured against appropriate benchmarks			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
CHB FIB 03 Service provider failure	<ul> <li>Cause: Corporate, financial, economic or cybersecurity threats result in service provision withdrawal or liquidation of partner organisations.</li> <li>Event: Failure of fund manager, investment consultant or other service provider without notice.</li> <li>Effect: Asset valuations at risk or a period of time without service provision.</li> </ul>	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.		31-Mar- 2025	
08-Mar-2018			22 May 2024			Constant
Kate Limna; Priya Nair						

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 current 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	22-May- 2024	31-Mar- 2025
CHB FIB 03b		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	22-May- 2024	31-Mar- 2025
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	22-May- 2024	31-Mar- 2025

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & S	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	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.	Impact	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.		4	31-Mar- 2025	
20-Jun-2019				22 May 2024				Constant
Priya Nair								

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 Report from the PRI from which it can evaluate progress against responsible investment goals.	The full 2022/23 PRI results were released in January 2024, and the results were presented to the April Investment Committee. The PRI 2023/2024 assessment opened on 2 May 2024, and closes 26 July 2024.	Kate Limna	22-May- 2024	31-Mar- 2025
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 Committee receives regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. The 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	22-May- 2024	31-Mar- 2025
CHB FIB 07e	The Board has committed to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Board 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 Estate UK-based pooled fund managers (i.e. excluding the alternative assets portfolio) are signatories to the Stewardship Code.		22-May- 2024	31-Mar- 2025
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.		22-May- 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
CHB FIB 04 Counterparty failure - Treasury Management 08-Mar-2018 Kate Limna;	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.	2 Impact	The current Treasury Management Strategy restricts lending to high- quality counterparties and remains fit for purpose. External credit ratings fo existing counterparties are currently a acceptable levels. 22 May 2024	r 🗟 🗕 🗕 🗖	31-Mar- 2025	<b>C</b> onstant
Priya Nair						

Action no	Action description	Latest Note		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 increased during 2023 and this 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, and these only	Kate Limna		31-Mar- 2025
		impact City Fund. 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.			
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 & Annual Investment Strategy (relating to Treasury Management) (TMSS) 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	Limna		31-Mar- 2025

		borrowers. When onboarding new financial institutions, officers review banks' financial standing including standard financial reporting ratios for assessing capitalisation and liquidity.			
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	22-May- 2024	31-Mar- 2025

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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

(C	) Risk	scoring	grid
----	--------	---------	------

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

			Imp	oact	
	х	Minor (1)	Serious (2)	Major (4)	Extreme (8)
poo	Likely (4)	4 Green	8 Amber	16 Red	32 Red
Likelihood	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

Version date: January 2020



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# Agenda Item 6

#### COUNTERPARTY EXPOSURE AS AT 31 MAY 2024

**APPENDIX 1** 

	Counter- party Limit £M	Total Invested as at 31 May 2024 £M	Average Rate of Return %
TOTAL INVESTED	2141	1,057.5	5.96%
· • · · · · · · · · · · · · · · · · · ·			<u></u>
FIXED TERM DEPOSITS			
UK BANKS			
Goldman Sachs	100.0	90.0	5.76%
Santander	100.0	20.0	5.90%
NatWest	100.0	90.0	5.50%
		200.0	
FOREIGN BANKS			
Australia & New Zealand	100.0	40.0	5.46%
DBS Bank	100.0	10.0	5.33%
Toronto Dominion Bank	100.0	80.0	5.90%
United Overseas Bank	100.0	20.0	5.23%
		150.0	
LOCAL AUTHORITIES			
Central Bedfordshire Council	25.0	10.0	6.25%
Stockport Council	25.0	20.0	6.25%
Surrey County Council	25.0	20.0	5.40%
		50.0	
LIQUIDITY FUNDS			
Aberdeen SLI Liquidity Fund	100.0	40.0	5.24%
CCLA - Public Sector Deposit Fund	100.0	59.6	5.22%
Deutsche Global Liquidity Fund	100.0	35.0	5.20%
Federated Prime Liquidity Fund	100.0	60.0	5.25%
Invesco Sterling Liquidity Fund	100.0	66.5	5.28%
		261.1	
ULTRA SHORT DATED BOND FUNDS			
Payden Sterling Reserve Fund	100.0	65.8	6.07%
Aberdeen SLI Short Duration Fund	100.0	54.9	5.66%
Federated Sterling Cash Plus Fund	100.0	27.5	5.38%
		148.2	
SHORT DATED BOND FUNDS			
L&G	100.0	79.5	8.01%
Royal London	100.0	78.8	8.35%
		158.2	
Australia and New Zealand 185 Days Ac-	100.0	45.0	5.43%
count Santander 95 Days Account*	100.0	45.0 45.0	5.43% 5.80%
Jananuel 33 Days Account	100.0	90.0	5.00%
		90.0	
τοται		1 057 5	

### TOTAL

1,057.5

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

# LINKGroup

## City Of London Corporation

Client Designated MMF, SDBF & USDBF Rates

Monthly Investment Analysis Review

May 2024

## Monthly Economic Summary

## **General Economy**

The UK manufacturing PMI rose to 51.2 in May from 49.1 the previous month, its highest reading since July 2022, but slightly below market expectations of 51.3. This meant that UK factory activity returned to expansion (ie a reading above 50) with manufacturing production driven by increased new work, strong market conditions and efforts to complete existing contracts. Despite overall improvements, new exports fell for the twenty-eighth consecutive month. Meanwhile, the UK Services PMI fell to 52.9 in May from 55 in April, beneath market expectations of 54.7. Despite the slowdown, this indicates the seventh consecutive expansion in the sector as UK companies continued to adapt to the prolonged period of higher interest rates. However, despite increases in business and consumer spending, activity is still weighed by the effect of the rising living costs which explains the slowdown in activity from the previous month. Consequently, the UK composite PMI dropped to 52.8 in May, a fall from 54.1 in April, and below market expectations of 54 but still a solid expansion in the private sector. Meanwhile, the UK construction PMI increased to 53 in April from 50.2 the previous month (it is released on a one-month lag to other sector reports), its second consecutive expansion led by growth in the commercial and civil engineering sectors.

The UK economy expanded 0.4% m/m in March, following an upwardly revised 0.2% in February, and beating market expectations of 0.1%. The biggest contribution to the rise came from a 0.5% increase in services output helping GDP have its strongest performance in 9 months. Additionally, production grew by 0.2% but, in contrast, construction shrank by 0.4% having been impacted by inclement weather conditions. Elsewhere, the UK's trade deficit narrowed to £1.098 billion in March, from a revised £1.478 billion in February, and its smallest deficit in three months, as imports dropped by 1.5% compared to a fall in exports of just 1%.

The UK recorded a further 178,000 drop in jobs in the three months prior to March, following a 156,00 decrease in the previous period, although this was above market expectations of a 215,000 fall. Meanwhile, average weekly earnings (including bonuses) increased at 5.7% y/y in the three months to March, beating market expectations of 5.3%. The unemployment rate edged up to 4.3% between January and March, just above 4.2% in the previous period and in line with market expectations.

Regarding inflation, the monthly Consumer Price Index (CPI) rose by 0.3% in April, slowing from the 0.6% rise in March but above market expectations of 0.2%. The headline annual rate dropped significantly to 2.3% in April, its lowest since July 2021, largely down to falling gas and electricity costs, as Ofgem lowered the energy price cap. There was also a slowing in rates for food and recreation and culture, however, these were offset primarily by the upward contribution from motor fuels.

In the retail sector, sales declined 2.3% in April, following a downwardly revised 0.2% drop in March and significantly worse than market expectations of a 0.4% fall. This was the largest decrease in retail sales in four months, with non-food stores and motor fuels leading declines, although sales volumes declined in most sectors. Meanwhile, the GfK Consumer Confidence Indicator improved to -17 in May from -19 in April, its highest reading since December 2021 and better than market expectations of -18. Elsewhere, public sector net borrowing, excluding public sector banks, increased to £20.5 billion in April, compared to market expectations of £19.3 billion. It was the largest public deficit since April 2021, as expenditure rose 3%, and receipts increased 1.9%.

#### US Economy

The US economy added 175,000 jobs in April, in comparison to the upwardly revised 315,000 jobs in March but short of market expectations of a 243,000 increase. The main areas of gain were the healthcare sector, while transportation and warehousing sectors also saw improvements. The US economy expanded an annualised 1.3% in Q1 2024, below the 1.6% advanced estimate mainly due to a downward revision in consumer spending. The US inflation rate eased to 3.4% after its 3.5% reading March, which was its highest since September, and in line with market expectations.

#### **EU Economy**

In the Euro area, the inflation rate remained at 2.4% in May, in line with market expectations and still above the ECB's 2% target. Meanwhile, the core rate, excluding food and energy prices, fell to 2.7%, from 2.9% the previous month, matching market expectations. GDP in the Euro area expanded by 0.3% in the first quarter of 2024, recovering from a 0.1% contraction in the two previous months, and in line with initial estimates. It was its largest expansion since Q3 2022, as France, Germany and Italy all expanded at a faster pace than the previous quarter.

#### Housing

The Halifax House Price index rose 1.1% y/y in April, accelerating after an upwardly revised 0.4% gain in March while relative stability helped buyers gain confidence as mortgage applications rose and industry-wide approvals hit an 18-month high. Meanwhile, the Nationwide House Price Index increased 1.3% y/y in April, which marked the fourth straight price rise but its slowest pace in three months.

#### Currency

Sterling appreciated against both the Euro and Dollar over the month.

May	Start	End	High	Low
GBP/USD	\$1.2493	\$1.2732	\$1.2778	\$1.2486
GBP/EUR	€1.1694	€1.1728	€1.1767	€1.1611

#### **Interest Rate Forecasts**

Link Group and Capital Economics still hold that Bank Rate will peak at 5.25% in this cycle.

Bank Rate													
	Now	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Link Group	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.25%	3.25%	3.25%	3.25%	3.00%	3.00%	3.00%
Capital Economics	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	3.00%	3.00%	3.00%	-	-	-

#### Current Investment List

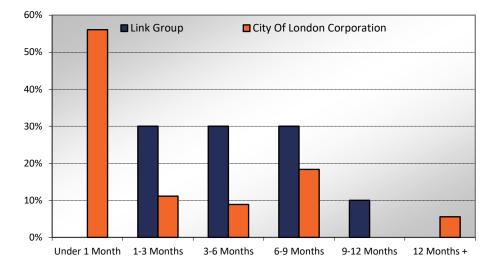
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	40,000,000	5.24%		MMF	AAAm		
MMF CCLA	59,600,000	5.22%		MMF	AAAm		
MMF Deutsche	35,000,000	5.20%		MMF	AAAm		
MMF Federated Investors (UK)	60,000,000	5.25%		MMF	AAAm		
MMF Invesco	66,500,000	5.28%		MMF	AAAm		
USDBF Aberdeen Standard Investments	54,916,249	5.66%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	27,474,553	5.38%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	65,763,123	6.07%		USDBF	AAAf		
Santander UK PLC	45,000,000	5.80%		Call7	А	0.001%	398
Central Bedfordshire Council	10,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.001%	0
Stockport Metropolitan Borough Council	20,000,000	6.25%	22/03/2024	24/06/2024	AA-	0.001%	0
Toronto Dominion Bank	20,000,000	6.53%	28/06/2023	26/06/2024	AA-	0.002%	316
DBS Bank Ltd	10,000,000	5.33%	15/01/2024	15/07/2024	AA-	0.003%	273
Toronto Dominion Bank	20,000,000	6.57%	18/07/2023	17/07/2024	AA-	0.003%	571
Surrey County Council	20,000,000	5.40%	26/04/2024	26/07/2024	AA-	0.003%	0
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.010%	1441
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.010%	1441
Australia and New Zealand Banking Group Ltd	20,000,000	5.61%	17/11/2023	19/08/2024	AA-	0.005%	972
Goldman Sachs International Bank	20,000,000	6.15%	04/09/2023	04/09/2024	A+	0.012%	2427
Goldman Sachs International Bank	20,000,000	5.33%	12/04/2024	14/10/2024	A+	0.017%	3438
Santander UK PLC	20,000,000	5.90%	16/10/2023	16/10/2024	А	0.017%	3489
Goldman Sachs International Bank	20,000,000	5.23%	22/03/2024	22/11/2024	A+	0.022%	4424
Australia and New Zealand Banking Group Ltd	45,000,000	5.43%		Call185	AA-	0.011%	5056
United Overseas Bank Ltd	20,000,000	5.23%	28/03/2024	19/12/2024	AA-	0.012%	2454
NatWest Markets Plc (NRFB)	20,000,000	5.23%	10/01/2024	10/01/2025	А	0.028%	5663
Australia and New Zealand Banking Group Ltd	20,000,000	5.31%	29/04/2024	29/01/2025	AA-	0.015%	2952
Toronto Dominion Bank	20,000,000	5.19%	15/05/2024	03/02/2025	AA-	0.015%	3012
NatWest Markets Plc (NRFB)	20,000,000	5.20%	13/05/2024	13/02/2025	А	0.033%	6523
Toronto Dominion Bank	20,000,000	5.31%	24/05/2024	24/02/2025	AA-	0.016%	3268
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	А	0.129%	25823
NatWest Markets Plc (NRFB)	30,000,000	6.00%	07/08/2023	07/08/2026	А	0.149%	44699
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	79,450,099	8.01%					
ROYAL LONDON	78,796,779	8.35%					
Total Investments	£1,057,500,803	5.96%					
Total Investments - excluding Funds	£899,253,925	5.57%				0.024%	£118,641
Total Investments - Funds Only	£158,246,878	8.18%					

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 and 1981 to 2023 for S&P.

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.

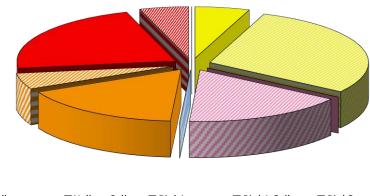
## Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = 2.82

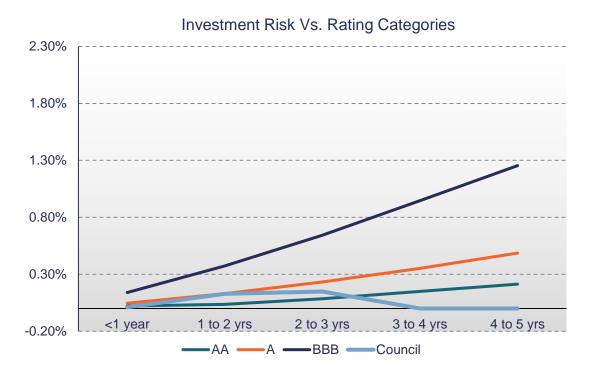
WARoR = Weighted Average Rate of Return WAM = Weighted Average Time to Maturity

									Excluding Call	Is/MMFs/USDBFs
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	34.60%	£311,100,000	83.93%	£261,100,000	29.04%	5.35%	6	15	37	93
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	16.48%	£148,153,925	100.00%	£148,153,925	16.48%	5.79%	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	21.68%	£195,000,000	23.08%	£45,000,000	5.00%	5.60%	159	266	152	290
Red	27.24%	£245,000,000	18.37%	£45,000,000	5.00%	5.68%	251	387	307	473
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%	£899,253,925	55.52%	£499,253,925	55.52%	5.57%	105	168	215	357



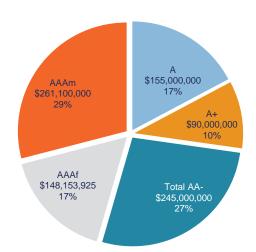
□ Yellow 2 Yellow Calls		Calls 🗖	Pink1	🗹 Pi	nk1 Calls	🗖 Pink	2	
🖾 Pink2	Calls	Purple		Purple Ca	lls 🗖 Bl	ue	🗖 Blue	Calls
Y	Pi1	Pi2	Р	В	0	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

#### Investment Risk and Rating Exposure



Historic Risk of Default Rating/Years 1 to 2 yrs 2 to 3 yrs 3 to 4 yrs 4 to 5 yrs <1 year AA 0.02% 0.04% 0.09% 0.15% 0.21% А 0.05% 0.13% 0.23% 0.35% 0.49% BBB 0.14% 0.37% 0.64% 0.95% 1.25% 0.15% 0.00% Council 0.01% 0.13% 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.

## Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
28/05/2024	2026	Toronto-Dominion Bank	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
29/05/2024	2028	National Australia Bank Ltd.	Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028	Commonwealth Bank of Australia	Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028 Westpac Banking Corp. Australia		Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028	Australia and New Zealand Banking Group Ltd.	Australia	The Long Term Rating was upgraded to 'AA-' from 'A+'. The Short Term Rating was upgraded to 'F1+' from 'F1'.
29/05/2024	2028	Macquarie Bank Ltd.	Australia	The Long Term Rating was upgraded to 'A+' from 'A'.

## Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
02/05/2024	2023	Danske A/S	Denmark	The Long Term Rating was upgraded to 'A1' from 'A2'. The Outlook on the Long Term Rating was changed to Stable from Positive.
14/05/2024	2024	Nordea Bank Abp	Finland	The Outlook on the Long Term Rating was changed to Positive from Stable.
28/05/2024	2025	Al Rayan Bank Plc	United Kingdom	The Long Term Rating was downgraded to 'A2' from 'A1'. The Outlook of the Long Term Rating was changd to Stable from Negative.
28/05/2024	2027	Commonwealth Bank of Australia	Australia	The Long Term Rating was upgraded to 'Aa2' from 'Aa3'. The Outlook on the Long Term Rating was added as Stable.

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
30/05/2024	2029	Toronto-Dominion Bank	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable

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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: 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
	UK Banks and their wholly owned subsidiaries							
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 com- pany above							
12	The Royal Bank of Scotland PLC (RFB) - Same as parent com- pany above							
13	Santander	UK	Y	2050	N/A	Y	Both	Y
	Building Societies	-						
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
	Foreign Banks							
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-Thueringen Girozentrale (Helaba)	Foreign	N	NA	N/A	N		Ν
25	Cooperatieve Rabobank U.A.	Foreign	N	NA	N/A	Ν		Ν
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	2050	N/A	Y	PRI	Ν
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 Li- quidity 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

## Budget Monitoring Statement Quarter 4 2023/24

#### 2023-24 (Period to 31<sup>st</sup> March 2024)

LOCAL RISK BUDGET	Final Approved	Outturn	Under / (Over)	
Year to 31st March 2024	Budget	2023-24	Spend for Period	
	£000	£000	£000	Not
City Fund				
City Fund Estate	(2,036)	(2,016)	20	
Walbrook Wharf	(1,161)	(1,212)	(51)	
Mayor's & City of London Court	(38)	(24)	14	
Central Criminal Court	(388)	(407)	(19)	
Lower Thames St Roman Bath	(9)	(9)	0	
Spitalfields Market	(254)	(203)	51	
Corporate FM R&M cleaning & security	(1,468)	(1,470)	(2)	
	(5,354)	(5,341)	13	
City's Estate				
City's Estate	(3,162)	(3,063)	99	1
Departmental	(10,546)	(11,007)	(461)	2
Mayoralty & Shrievalty	(95)	(48)	47	
Markets Directorate	(420)	(406)	14	
Billingsgate Market	(320)	(197)	123	3
Smithfield Market	(825)	(1,258)	(433)	4
Corporate FM R&M cleaning & security	(2,368)	(2,531)	(163)	5
	(17,736)	(18,510)	(774)	
Guildhall Administration				
Guildhall Complex	(7,977)	(8,516)	(539)	6
	(7,977)	(8,516)	(539)	
Total City Surveyor Local Risk excluding CBF	(31,067)	(32,367)	(1,300)	
City Bridge Foundation				
City Bridge Foundation	(2,419)	(1,844)	575	7
Tower Bridge Corporate FM cleaning	(318)	(1,044)	34	
Tower Bridge Outpolate I in cleaning	(2,737)	(2,128)	609	
	(2,131)	(2,120)	009	
Total City Surveyor Local Risk including CBF	(33,804)	(34,495)	(691)	

- 1. Reflects an overachievement on service charge and other income, compared to budget, partly offset by overspendings on professional fees, security and energy costs.
- 2. The overspending is mainly on employee budgets due to not achieving the vacancy factor; £151k residual Fundamental Review (FR) savings not being achieved; and £140k of additional recruitment costs.
- 3. The underspend comprises additional rental income achieved during the year at Billingsgate Market as a result of a rent review.
- 4. Overspend on one-off reactive repairs & maintenance work at Smithfield Market in addition to the savings target not achieved following the closure of the Poultry Market.
- 5. There was an increase in expenditure due to additional reactive repairs which had to be undertaken, particularly on open spaces.
- 6. Overspend due to the employee vacancy factor not being achieved and additional agency staff costs across the security and function team.
- 7. Savings principally on cyclical works as a result of projects cancelled or deferred to 2024/25, in addition to an underspend on professional fees. Some of these underspent budgets will be carried forward to 2024/25 under City Bridge Foundation carry forward rules.

### KPI Performance Table Quarter 4 2023/24

Key Perfo	rmance Indicators											
Ref	Title				Q	1	C	2	Q3	}	Q4	1
		Target	Group	Committee	Actual	RAG	Actual	RAG	Actual	RAG	Actual	RAG
KPI. 1	Asset Realisation and additional income	£5.1m	CPG	RASC	on target	green	on target	green	on target	green	1.5m	red
KPI. 2	Delivery of Climate Action Strategy Milestones - operational estate	<5%	OG	RASC	<2%	green	2%	amber	<2%	green	<5%	green
KPI.3	Delivery of Climate Action Strategy Milestones - investment property	on shedule	OG	IC	on target	green	off target	amber	off target	amber	off target	amber
KPI. 4	Property contract Performance Compliance***	> 80%	OG	RASC	n/a	n/a	68%	amber	70%	amber	71%	amber
KPI. 5	Adherence to Budgetary Spend Profiles (projects)	95% - 105%	All	I C; RASC	14%	green	28%	amber	53%	amber	93.25%	red
KPI. 6	Capital Project - Project Risk Status	< 30%	PPG	I C; RASC	50%	amber	48%	amber	46%	amber	43%	amber
KPI. 7	Capital Project- Health & Safety*	80%	PPG	I C; RASC	n/a	n/a	91%	green	n/a	n/a	95%	green
KPI. 8	Capital Project - Site sustainability waste management	> 90%	PPG	I C; RASC	98%	green	94%	green	97%	green	89%	amber
KPI. 9	Rental Forecasts*	£100.92m	IPG	IC	n/a	n/a	£103.17m	green	n/a	n/a	£104.78m	green
KPI. 10	Minimise Arrears (<2%March)*	<2% eoy	IPG	IC	n/a	n/a	4.25%	amber	n/a	n/a	3.46%*	TBC
KPI. 11	Minimise voids (*)	<5%	IPG	IC	n/a	n/a	4.18%	green	n/a	n/a	4.40%	green
KPI. 12	Outperform MSCI**	exceed benchmark	IPG	IC	n/a	n/a	n/a	n/a	n/a	n/a	exceed benchmark	green
	*reported bi annually											
	** reported annually											
	*** to be reported from Q2, post contract mobilisation				1							
	eoy - end of year										1	
	Investment Committee (IC) Resource Allocation Sub Committee (RASC)											

\*KPI 10 – Minimise Arrears – The arrears position as of 24 March 2024 is £4.72m which is 3.46% of the total annual billing, above the target of 1.5%. The total includes historic arrears for which a payment plan is in place. Historically the City have excluded these arrears from the calculation.

Due to the change-over in monitoring systems (from the obsolete Oracle Property Manager to MRI Horizon), it has not been possible to accurately separate out arrears where a payment plan is in place. If the quarter 2 payment plan figure were used, the overall arrears position would reduce by 2.08% to 1.38%. Due to this calculation issue we have not ascribed a RAG status to this indicator.

More detailed reporting will be available once the new Horizon system has been in place for a full billing year, the issue only having arisen due to the transition between systems.

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### Climate Action Strategy – Investment Portfolio Quarter 4 2023/24

#### Action Plan

- 1. The Climate Action Strategy for the Investment Property Portfolio contains a delivery plan, consisting of a set of sub-tasks to progress towards net zero. This Appendix provides a status update against the Year 3 plan (approved at Policy and Resources Committee on 20<sup>th</sup> April 2023).
- 2. Members are to note the progress as described in the tables contained in this appendix.

Task	Year 3 Project Plan		Revised		Progress Update
	Start	Finish	Start	Finish	
Undertake MEES Risk assessment, identify costs to upgrade and agree Due Diligence standards.	Apr 2023	June 2023			<ul> <li>Phase 1 – 51 of 51 reports received (100%)</li> <li>Phase 2 – 81 of 81 reports received (100%)</li> <li>All MEES reports have been issued.</li> <li>Two additional NZ surveys are to be performed for 120 Cannon Street and 30-34a New Bridge Street once the current refurbishment works are complete.</li> </ul>
Undertake study to establish process, cost, and benefit of improved metering strategy.	Apr 2023	Dec 2023			<ul> <li>Smart metering strategy report has been completed. Findings will be discussed within Operations Group to establish next steps in procuring smart metering upgrades. Costs have been incorporated into the Operations Plan.</li> <li>NABERS assessment of 10 assets was performed and reports issued.</li> </ul>
Green Lease MOU pilot to evolve working template for portfolio roll out.	Apr 2023	Sept 2023	Apr 2023	Aug 2024	<ul> <li>IPG received Green Lease clause approval by C&amp;CS for DM &amp; FRI leases.</li> <li>The above will help inform the Green Lease MOU for current leases.</li> <li>Longer leases with distant lease brakes will be targeted with MOUs. Potential tenants are being discussed with Assistant Directors.</li> <li>MEES, EPC and metering strategy commission will also help inform the Green Lease MOU.</li> <li>IPG AD's provided approval in June 2024 to incorporate BBP Green Lease Clause update.</li> <li>C&amp;CS instructed to draft Green Lease Clauses update into new lease template.</li> <li>C&amp;CS to copy Green Lease Clause into MOU.</li> </ul>
Identify and design pathway to 60% emissions reduction by 2040	Apr 2023	Jun 2023	Apr 2023	Sept 2023	<ul> <li>The operational plan has been approved by IPG.</li> <li>Due to the nature of IPG with upcoming MEES reports, selling / purchase of assets, scheduling, etc. the Plan is constantly changing and evolving.</li> <li>Workshop with Assistant Directors, Asset Managers, Minor Works, and Facilities Management took place for scheduling of operational plan.</li> <li>IPG determined the priority asset list for properties that are to be refurbished in 2024. They are: City Estate: 119 New Bond Street, 29/31 Brewery Road, 39/41 Brewery Road, Carmelite Street, 5, Tallis House, Europa Trade Park, Unit 2 / Unit 3 / Unit 4 &amp; 5 / Unit 6 &amp; 7, and Fairview Industrial Park, Rainham, Unit 1-1A, City Fund: West Smithfield, City Bridge Foundation: 4-7 Chiswell Street, 120 Canon Street, Vaults under London Bridge (North Side), and 17 Hickman Avenue.</li> </ul>

Task	Year 3 Project Plan		Revised		Progress Update
	Start	Finish	Start	Finish	
Capital works –	Apr	Mar	Apr	Mar	<ul> <li>Projects will be implemented following the development of asset level decarbonisation plans</li></ul>
City Fund	2023	2024	2023	2040	taken from the surveys.
Capital Works –	Apr	Mar	Apr	Mar	• All 11 properties within the Strategic Estate have been approved by the committee for sale.
Strategic Estate	2023	2024	2023	2040	
Sustainable Property Specialist	Appointed				<ul> <li>A Sustainable Property Specialist in position and forms part of the Centre of Excellence and will drive NZ4 – Investment Property Group Project Plan.</li> </ul>
Capital PM	Apr	Mar	Apr	Mar	<ul> <li>Allocation of resource cost is included within capital funding and will be managed through City</li></ul>
resource	2023	2024	2023	2040	Surveyors & Minor Works team

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## Agenda Item 13

## Agenda Item 17

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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## Agenda Item 18

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

## Agenda Item 19

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

## Agenda Item 22

## Agenda Item 24

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

## Agenda Item 25

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

## Agenda Item 26

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

## Agenda Item 28

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

## Agenda Item 29

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.