Public Document Pack

Investment Committee
APPENDIX PACK

Date: **MONDAY, 17 FEBRUARY 2025**

Time: 11.00 am

Venue: **COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL**

6. **INVESTMENT GOVERNANCE**

Report of the Town Clerk.

For Decision
(Pages 3 - 12)

7. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY (RELATING TO TREASURY MANAGEMENT) 2025/26**

Report of the Chamberlain.

For Decision
(Pages 13 - 52)

8. **TREASURY MANAGEMENT UPDATE AS AT 31 DECEMBER 2024**

Report of the Chamberlain.

For Information
(Pages 53 - 68)

9. **DRAFT HIGH-LEVEL BUSINESS PLAN 2025/26 - CITY SURVEYOR'S DEPARTMENT**

Report of the City Surveyor.

For Decision
(Pages 69 - 74)

17. **CITY'S ESTATE – INVESTMENT GRADE CORPORATE BONDS**
Report of the Chamberlain.

For Decision
(Pages 75 - 116)

18. **CITY FUND - CALCUTTA HOUSE AND 133-137 WHITECHAPEL HIGH STREET UPDATE**

Report of the City Surveyor.

For Decision
(Pages 117 - 142)

22. **PRI 2024 ASSESSMENT RESULTS**

Report of the Chamberlain.

For Discussion
(Pages 143 - 152)

Appendix 1a

INVESTMENT COMMITTEE

Composition

A Non-Ward Committee consisting of:

- ~~Six~~ Eight* 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.

Terms of Reference

Investment Proportions

To inform the decision taken by the ~~Resource Allocation Sub-Committee~~ Policy and Resources 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 Estate ~~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 Estate
ii. Charities Pool
iii. Hampstead Heath Trust
iv. The Sir William Coxen Trust*

*Items removed from the terms of reference are struck-through; additions are underlined

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 Estate, 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~~ their 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.

*Items removed from the terms of reference are struck-through; additions are underlined

Resource Allocation Sub-Committee

Composition *(agreed by the Court of Common Council)*
Chairman of the Policy and Resources Committee (Chairman)
Chairman of the Finance Committee (Deputy Chairman)
The Deputy Chairmen of the Policy and Resources Committee
The Deputy Chairman of the Finance Committee
Chairman of the General Purposes Committee of the Court of Aldermen
The Senior Alderman below the Chair
The Chairman of the Corporate Services Committee
Past Chairmen of Policy and Resources Committee providing that they are Members of the Committee at the time.
Seven Members of the Policy and Resources Committee

Terms of Reference

a) to have power to determine the City Corporation's programme for repairs, maintenance and cyclical replacement of plant & equipment in respect of all operational and noninvestment properties, including the prioritisation of the various schemes and projects;

b) ~~to determine the appropriate investment proportions between property and non-property assets;*~~

c) to recommend to the Grand Committee the extent of properties held by the City of London Corporation for strategic purposes, including within the City of London itself;

d) to recommend to the Grand Committee the allocation of operational property resources for service delivery;

e) to be the reporting and oversight body for the review of Operational Property;

f) to be responsible for the effective and sustainable management of the City of London Corporation's operational property portfolio, to help deliver strategic priorities and service needs, including;

   i. agreeing the Corporate Asset Management Strategy;

   ii. responsibility for reviewing and providing strategic oversight of the Corporation's Asset Management practices and activities and advising Service Committees accordingly;

   iii. responsibility for reviewing and providing strategic oversight of the Corporation's Facilities Management practices and activities and advising Service Committees accordingly;

   iv. to maintain a comprehensive Property Database and Asset Register of information which can be used in the decision making process;

*Items removed from the terms of reference are struck-through; additions are underlined

v. in line with Standing Orders 53 (Asset Management Plans) and 56 (Disposal of Surplus Properties) and the duties set out within legislation, including the Localism Act 2011 and the Housing and Planning Act 2016, to monitor the effective and efficient use of all operational property assets;

vi. oversight of the management of operational leases with third parties, occupation by suppliers and those granted accommodation as benefits-in-kind; and

vii. in accordance with Standing Orders 57 and 58, the Sub Committee can make disposals of properties which are not suitable to be retained as investment property assets.

g) in accordance with thresholds stipulated within Standing Orders 55, 56 and 57, the Sub-Committee can approve acquisitions and disposal of operational properties which are not suitable to be re-use or to be retained as investment property assets.

h) the power to commission from Service Committees periodic management information on asset management performance including, where relevant:

i. third party agreements, income, rent arrears (including HRA)

ii. efficiency of operational assets including vacant space and utilisation in accordance with Standing Order 56.

i) to be responsible for the upkeep, maintenance and, where appropriate, furnishing for operational properties (including the Guildhall Complex) which do not fall within the remit of another Service Committee;

j) to monitor major capital projects relating to operational assets to provide assurance about value for money, accordance with service needs and compliance with strategic plans;

k) to consider, at the annual joint meeting of the Resource Allocation Sub-Committee with Committee Chairs and the Efficiency and Performance Working Party, the annual programme of repairs and maintenance works (including surveys, conservation management plans, hydrology assessments and heritage landscapes) planned to commence the following financial year, and to monitor progress in these works (when not included within the Project procedure);

l) to be responsible for strategies, performance and monitoring initiatives in relation to energy;

m) to monitor and advise on bids for Heritage Lottery funding;

n) to provide strategic oversight for security issues across the Corporation's operational property estate; with the objectives of managing security risk; encouraging consistent best practice across the Estate; and, in conjunction with the Corporate Services Committee, fostering a culture of Members and officers

*Items removed from the terms of reference are struck-through; additions are underlined

taking their responsibilities to keeping themselves and the buildings they occupy secure;

o) to recommend to the Grand Committee an appropriate allocation of financial resources in respect of the City Corporation's capital and revenue expenditure;

p) to meet with Chairmen of Service Committees to advise on the status of the City Corporation's budgets and the recommended allocation of financial resources overall and discuss any emerging issues;

q) to set the annual quantum for each City's Estate and City Fund grants programme (including for City's Estate funded open spaces grants);

r) to consider the annual performance reports for all grants programmes from the Finance Committee;

s) to consider funding bids in respect of the Community Infrastructure Levy Neighbourhood Fund of over £50,000; and

t) to consider and make recommendations in respect of matters referred to it by the Grand Committee including matters of policy and strategy.

*Items removed from the terms of reference are struck-through; additions are underlined

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Policy and Resources Committee

Terms of Reference
To be responsible for:-

General

(a) considering matters of policy and strategic importance to the City of London Corporation including matters referred to it by other Committees and/or Chief Officers;

(b) the review and co-ordination of the governance of the City of London Corporation including its Committees, Standing Orders and Outside Bodies Scheme, reporting as necessary to the Court of Common Council, together with the City Corporation's overall organisation and administration;

(c) overseeing, generally, the security of the City and the City of London Corporation's security and emergency planning;

(d) the support and promotion of the City of London as the world leader in international financial and business services and to oversee, generally, the City of London Corporation's economic development activities, communications strategy and public relations activities locally and globally;

(e) the use of the City's Armorial bearings;

(f) general matters not otherwise expressly provided for within the terms of reference of any other Committee;

(g) the functions of the Court of Common Council as walkway authority and under Part II of the City of London (Various Powers) Act 1967 (excluding the declaration, alteration and discontinuance of City Walkway) for the purposes of promoting works to the Barbican Podium;

(h) approving the City Corporation's annual contribution to the London Councils' Grants Scheme and agreeing, alongside other constituent councils, the proposed overall budget;

(i) making recommendations to the Court of Common Council in respect of:
- (i) the appointment of the Town Clerk & Chief Executive, Comptroller & City Solicitor and Remembrancer;
- (ii) the Corporate Plan, Community Strategy, and other corporate strategies, statements or resolutions;
- (iii) the issuing of levies to all the constituent councils for their contributions to the London Councils' Grants Scheme, for which the Court of Common Council is a levying body; and
- (iv) the promotion of legislation and, where appropriate, byelaws;

Resource Allocation

(j) determining resource allocation in accordance with the City of London Corporation's strategic policies;

(k) <u>to determine the appropriate investment proportions between property and non-property assets*</u>

Corporate Assets

(l) (i) determining the overall use of the Guildhall Complex; and

(ii) approving overall strategy and policy in respect of the City Corporation's assets;

Projects (Capital and Supplementary Revenue)

(m) considering all proposals for capital and supplementary revenue projects, and determining whether projects should be included in the capital and supplementary revenue programme as well as the phasing of any expenditure;

Hospitality

(n) arrangements for the provision of hospitality on behalf of the City of London Corporation;

Privileges

(o) Members' privileges, facilities and development;

Sustainability

(p) strategies and initiatives in relation to sustainability;

(q) **Business Improvement Districts**
responsibility for the functions of the BID Proposer and BID Body (as approved by the Court of Common Council in October 2014);

(r) **Sub-Committees**
appointing such Sub-Committees as are considered necessary for the better performance of its duties including the following areas:-
* Resource Allocation (including Operational Property)
Outside Bodies
Communications and Corporate Affairs
Freedom Applications

*Items removed from the terms of reference are struck-through; additions are underlined

Capital Buildings
Competitiveness
†[i]Civic Affairs
Equality, Diversity and Inclusion
Member Development and Standards

* The constitution of the Resource Allocation Sub Committee is set by the Court of Common Council and comprises the Chairman and Deputy Chairmen of the Grand Committee, past Chairmen of the Grand Committee providing that they are Members of the Committee at that time, the Chairman of the General Purposes Committee of Aldermen, the Chairman and Deputy Chairman of the Finance Committee, the Chairman of the Corporate Services Committee, the Senior Alderman below the Chair and seven Members appointed by the Grand Committee.

† the Working Parties or Sub Committees responsible for hospitality and Members' privileges shall be able to report directly to the Court of Common Council and the Chair able to address reports and respond to matters in the Court associated with these activities.

(s) **Standards and Code of Conduct**
Following the decision of the Court of Common Council on 14 January 2021, the Committee shall have responsibility for the following matters, previously under the purview of the Standards Committee, until such time as the Court determines otherwise:-

(i) promoting and maintaining high standards of conduct by Members and Co-opted Members of the City of London Corporation and to assist Members and Co-opted Members to observe the City of London Corporation's Code of Conduct;

(ii) preparing, keeping under review and monitoring the City of London Corporation's Member Code of Conduct and making recommendations to the Court of Common Council in respect of the adoption or revision, as appropriate, of such Code of Conduct;

(iii) keeping under review, monitoring and revising as appropriate the City of London Corporation's Guidance to Members on the Code of Conduct;

(iv) keeping under review by way of an annual update by the Chief People Officer and Executive Director of HR, the City of London Corporation's Employee Code of Conduct and, in relation to any revisions, making recommendations to the Corporate Services Committee;

(v) keeping under review and monitoring the Member/Officer Charter and, in relation to any revisions, making recommendations to the Corporate Services Committee;

(vi) advising and training Members and Co-opted Members on matters relating to the City of London Corporation's Code of Conduct.

(t) **Freedom Applications**
Responsibility for all matters relating to Freedom Applications;

(u) **Capital Buildings**
Responsibility for all projects with an estimated budget of £100 million or more, or which have been otherwise referred to the Committee, which have been approved in principle by the Court of Common Council and are being directly delivered by the City of London Corporation;

(v) **Operational Property**
Responsibility for the effective and sustainable management and strategic plans for the City of London Corporation's operational property portfolio; this includes the monitoring of capital projects, acquisitions and disposals, and the upkeep, maintenance and, where appropriate, furnishing for operational properties (including the Guildhall Complex), together with responsibility for strategies, performance, and monitoring initiatives in relation to energy usage, and for monitoring and advising on bids for Heritage Lottery funding.

(y) **Benefices**
All matters relating to the City's obligations for its various benefices.

(x) **Equality Diversity and Inclusion**
To have oversight of the City of London Corporation's policies and practices in respect of equality and inclusion, including the implementation of the Equality Act 2010 and other relevant legislation through the establishment of the Equality, Diversity and Inclusion joint Sub Committee with the Policy & Resources Committee.

*Items removed from the terms of reference are struck-through; additions are underlined

Appendix 2

Standing Order 55.2 - Acquisitions

City Fund

Total Acquisition Costs	Approval by
Less than £20,000,000 ~~£5,000,000~~*	~~Investment Committee and Finance Committee~~ Officer Delegation
£20,000,000 to less than £50,000,000 ~~£5,000,000 and above~~	Investment Committee and Finance Committee ~~and Court of Common Council~~
£50,000,000 and above	Investment Committee, Finance Committee and Court of Common Council

City's Estate

Total Acquisition Costs	Approval by
Less than £20,000,000 ~~£5,000,000~~ (subject to funding being available in the relevant Designated Sales Pool)*	~~Investment Committee and Finance Committee~~ Officer Delegation
£20,000,000 to less than £50,000,000 ~~£5,000,000 and above~~	Investment Committee and Finance Committee ~~and Court of Common Council~~
£50,000,000 and above	Investment Committee, Finance Committee and Court of Common Council

**If funding is not available in the relevant Designated Sales Pool the approval of the Court of Common Council shall also be required.*

Standing Order 57.2 - Freehold Disposals

City Fund & City's Estate

Anticipated Receipt	Approval by
Less than £20,000,000 ~~£1,000,000~~	~~Investment Committee~~ Officer Delegation
£20~~5~~,000,000 ~~and above~~ to less than £50,000,000	Investment Committee and Finance Committee
£50,000,000 and above	Investment Committee, Finance Committee and Court of Common Council

*Items removed from the Standing Orders are struck-through; additions are underlined

Standing Order 58.1 - Leasehold Disposals/Surrenders

City Fund & City's Cash

Anticipated Receipt	Approval by
Less than £20,000,000 ~~£2,500,000~~	Officer Delegation
£20,000,000 to less than £50,000,000 ~~£2,500,000 to less than £5,000,000~~	Investment Committee and Finance Committee
£50,000,000 and above	Investment Committee, Finance Committee and Court of Common Council

*Items removed from the Standing Orders are struck-through; additions are underlined

TREASURY MANAGEMENT STRATEGY STATEMENT

AND

ANNUAL INVESTMENT STRATEGY (RELATING TO TREASURY MANAGEMENT)

2025/26

Issue Date: 17/02/2025
Agreed by Court of Common Council: XX/XX/2025

Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) 2025/26

1. Introduction

1.1. Background

The City of London Corporation (the City) is required in its local authority capacity to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of capital expenditure plans. These capital plans provide a guide to the borrowing needs of the City, essentially the longer-term cash flow planning, to ensure that the organisation can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans where permitted for individual Funds of the City, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.2. The Treasury Management Policy Statement

The City defines its treasury management activities as:

> *The management of the organisation's investments and cash flows, its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

The City regards the security of its financial investments through the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The City acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.3. Reporting Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Court of Common Council (the Court) on 3 March 2010, and is applied to all Funds held by the City. There have been subsequent revisions to the codes in 2017 and 2021.

The primary requirements of the Code are as follows:

(i) The City of London Corporation will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

(ii) This organisation will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

(iii) The Court of Common Council delegates responsibility for the implementation and regular monitoring of its treasury management policies to the Finance Committee and the Investment Committee with the Investment Committee of the City Bridge Foundation Board having responsibility on behalf of the charity; the execution and administration of treasury management decisions is delegated to the Chamberlain, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

(iv) The Court of Common Council nominates the Audit and Risk Management Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The CIPFA 2021 Prudential Code for Capital Finance in Local Authorities and Treasury Management Code of Practice require all local authorities to prepare a capital strategy. The capital strategy provides a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services as well as an overview of how the associated risk is managed and the implications for future financial sustainability. The Treasury Management Strategy Statement is reported separately from the Capital Strategy. This ensures the separation of the core treasury function under security, liquidity and yield principles from the policy and commercial investments usually driven by expenditure on an asset. It is considered good practice by the City to include all of its Funds within these strategies.

1.4. CIPFA Treasury Management and Prudential Codes

CIPFA published revised versions of both the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities on 20 December 2021.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes:-

- All investments and investment income must be categorised into one of three types:

  Treasury management
  Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

  Service delivery
  Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

  Commercial return
  Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a local authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code requires an authority to implement the following: -

1. **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; the authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year, and the following two financial years as a minimum; this is to be shown in chart form, with material differences between the liability benchmark and actual loans to be explained;

2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are:

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include:

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this Treasury Management Strategy Statement and Annual Investment Strategy deals ***soley*** with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

Furthermore it should be noted that any new requirements are mandatory for the City Fund only.

1.5. Treasury Management Strategy for 2025/26

The Local Government Act 2003 (the Act) and supporting regulations require the City to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the City's capital investment plans are affordable, prudent and sustainable. The City's Prudential Indicators are set in its annual Budget Report and Medium-Term Financial Strategy, while Treasury Indicators are established in this report (Appendix 2).

The Act requires the Court of Common Council to set out its treasury strategy for borrowing (section 4 of this report) and to prepare an Annual Investment Strategy (section 5 of this report). The Investment Strategy sets out the City's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2025/26 in respect of the required aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the City's treasury adviser, MUFG Corporate Markets (previously known as Link Group, Link Treasury Services Ltd).

The strategy covers:

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy
- the current treasury position

- treasury indicators which limit the treasury risk and activities of the City
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the ~~DLCG~~ MHCLG (Ministry of Housing, Communities, and Local Government) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and the ~~DLCG~~ MHCLG Investment Guidance.

1.6. Current Portfolio Position

The City's treasury portfolio position at 31 December 2024 compared to the position at 31 March 2024 comprised:

Table 1: Treasury Portfolio				
	Actual 31/03/2024		Current 31/12/2024	
Treasury investments	**£m**	**%**	**£m**	**%**
Banks	£390.0	43%	£460.0	41%
Building societies (rated)	£0.0	0%	£0.0	0%
Local authorities	£50.0	6%	£100.0	9%
Liquidity funds	£155.2	17%	£247.7	22%
Ultra-short dated bond funds	£147.0	16%	£152.6	14%
Short dated bond funds	£159.0	18%	£161.0	14%
Total treasury investments	**£901.2**	100%	**£1,121.3**	100%
Treasury external borrowing				
LT market debt (City's Estate)	£450.0	100%	£450.0	100%
Total external borrowing	**£450.0**	100%	**£450.0**	**100%**

2. Capital Expenditure Plans and Prudential Indicators

2.1. City Fund

The City's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

The City's capital expenditure plans in respect of its local authority functions (the City Fund) are detailed in the 2025/26 Budget Report and Medium-Term Financial Strategy, which also contains the City's Prudential Indicators. The Prudential Indicators summarise the City Fund's annual capital expenditure and financing plans for the medium term. Table 2 summarises the capital expenditure and financing plans for City Fund for 2024/25 to 2028/29.

Estimate of Capital Expenditure and Financing (City Fund)

Table 2	**2023/24 Actual £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**	**2027/28 Estimate £m**	**2028/29 Estimate £m**
Capital Expenditure:						
Non-HRA	135.5	364.6	516.4	248.1	120.1	101.3
HRA	32.4	64.5	44.2	16.2	11.3	7.1
Total	**167.9**	**429.1**	**560.6**	**264.3**	**131.4**	**108.4**
	-	-	-	-	-	
Financed by:	-	-	-	-	-	
Capital grants	107.2	180.7	165.2	115.1	28.5	15.2
Capital reserves	16.8	73.0	200.6	67.7	105.4	43.6
Planned investment property disposals	0.0	38.2	183.0	71.4	-6.9	43.1
Revenue	38.2	10.2	11.8	10.1	4.4	6.5
Total	**162.2**	**302.1**	**560.6**	**264.3**	**131.4**	**108.4**
Net Financing Need	**5.7**	**127.0**	**0.0**	**0.0**	**0.0**	**0.0**

The Prudential Indicators also establish the City Fund's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the City Fund's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource (the net financing need in Table 2), will increase the CFR which is summarised in table 3 below.

City Fund has an ambitious capital programme, which is intended to be supported by planned investment property disposals as an alternative to any external borrowing, enabling a balanced CFR over the next five year period.

Estimate of the Capital Financing Requirement (City Fund)

Table 3	**2023/24 Actual £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**	**2026/27 Estimate £m**	**2027/28 Estimate £m**	**2028/29 Estimate £m**
Non-HRA	99.8	224.7	215.8	218.1	223.8	221.7
HRA	-	2.1	11.0	8.7	3.0	5.1
Total	**99.8**	**226.8**	**226.8**	**226.8**	**226.8**	**226.8**

The City is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.

The prudential indicator for the liability benchmark is only relevant for City Fund, and therefore does not include City's Estate external borrowing.

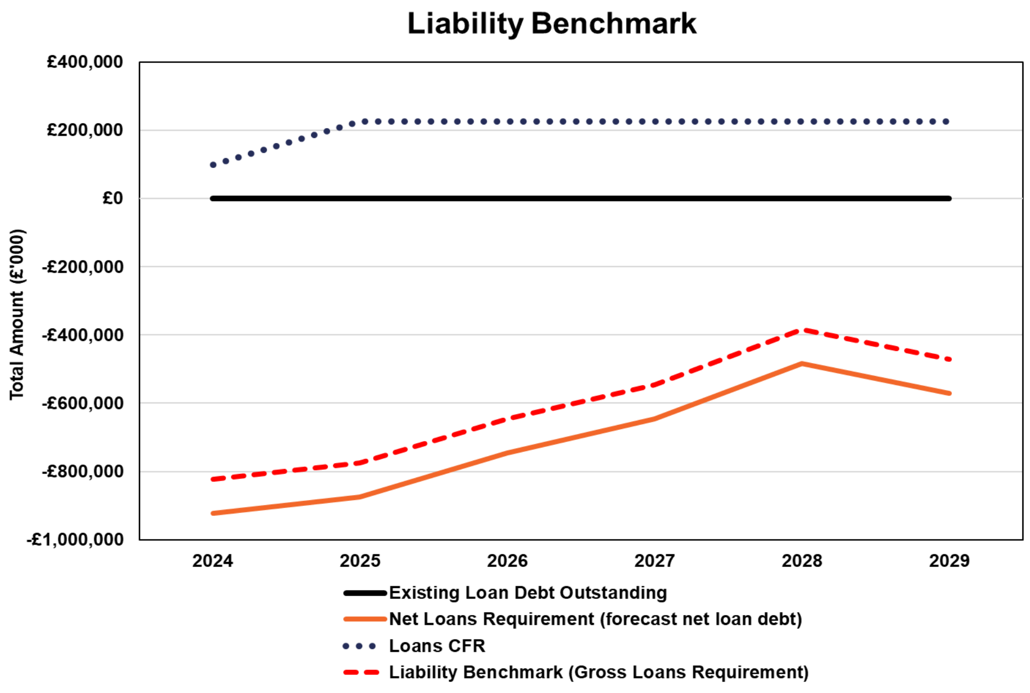
There are four components to the Liability Benchmark which should be represented in a chart. These are:

1. **Existing Loan Debt Outstanding**: The City's existing loans that are outstanding into future years. This City Fund currently has no external loans, so this will not need to be shown.

2. **Capital Financing Requirement**: calculated in accordance with the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision.

3. **Net Loans Requirement**: The City Fund gross loan debt less treasury management investments, projected into the future and based on approved prudential borrowing, planned MRP and any other major cash flow forecasts. As the City plans to not undertake external borrowing the net loan requirement is shown as a negative and plots the expected cash balances across the years.

4. **Liability benchmark** (or **Gross Loans Requirement**): equals Net Loans Requirement plus a short-term liquidity allowance to allow for a level of excess cash to provide liquidity if needed.



<u>Minimum Revenue Provision (City Fund)</u>

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used. The City's MRP Policy is detailed in Appendix 2.

2.2. City's Estate

As with the City Fund, any capital expenditure incurred by City's Estate which has not immediately been paid for through a revenue or capital resource, will increase the City's Estate borrowing requirement. The medium term financial plan for City's Estate includes an increase in capital expenditure in the coming years, primarily relating to the major projects programme. All projected capital expenditure in 2025/26 will be financed from revenue contributions, earmarked reserves, and supported by ~~the existing £450m stock of debt or other sources~~ the liquidation of financial investments and additional property disposals.

Table 4 summarises ~~the planned~~ City's Estate ~~borrowing~~ outstanding debt of £450m (£250m was received in 2019/20 and the remaining £200m was received in 2021/22) over the next few years.

Table 4	2023/24 Actual £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Borrowing	£450m	£450m	£450m	£450m	£450m

A debt financing strategy will be established to ensure borrowing for City's Estate is reduced gradually over time as set out in the City's Estate Borrowing Policy Statement (Appendix 8).

2.3. City Bridge Foundation

City Bridge Foundations' (CBF) financial plans focus on the charity's primary object, namely the support and maintenance of the five Thames bridges that the charity owns ~~alongside their future replacement. Any surplus income each year.~~ Surplus income not required for the primary purpose, as reassessed each year, is available for its ancillary purposes, namely charitable funding. The charity's revenue expenditure plans over the short and medium term are currently funded from ongoing income and the returns on investments held within the unrestricted income fund. Capital spend on the charity's investment property portfolio is currently funded ~~from the designated sales pool (DSP) held~~ within the permanent endowment fund~~, with receipts from disposals or lease premiums which are deemed to be capital in nature being available for this. However, consideration is being given to reviewing the funding of potential capital plans on a case by case basis in comparison to other investment opportunities across the whole CBF investment portfolio due to a reduction in receipts of this nature~~.

A Supplemental Royal Charter was approved in June 2023, with various new powers being adopted as a result. These included the power to borrow in limited circumstances (see section 4.3) and the power to apply the total return approach to the permanent endowment fund. Put simply, this approach allows any increase in the value of an investment within the permanent endowment to be utilised as income. CBF has an approved policy that applies to the use of returns held within the permanent endowment fund, which ensures that the trustee considers the requirements of beneficiaries both now and in the future within its expenditure plans.

Treasury Indicators for 2025/26 – 2027/28
Treasury Indicators (as set out in Appendix 2) are relevant for the purposes of setting an integrated treasury management strategy.

3. Prospects for Interest Rates

The City of London has appointed MUFG Corporate Markets (previously known as Link Group (Link)) as its treasury advisor and part of their service is to assist the City to formulate a view on interest rates. Appendix 1 draws together a number of forecasts for both short term (Bank Rate – also known as "the Bank of England base rate") and longer term interest rates. The following table and accompanying text below gives the Link central view.

	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 years	25 year	50 year
Mar 2025	4.50	4.90	5.10	5.50	5.30
Jun 2025	4.25	4.80	5.00	5.40	5.20
Sep 2025	4.00	4.60	4.80	5.30	5.10
Dec 2025	4.00	4.50	4.80	5.20	5.00
Mar 2026	3.75	4.50	4.70	5.10	4.90
Jun 2026	3.75	4.40	4.50	5.00	4.80
Sep 2026	3.75	4.30	4.50	4.90	4.70
Dec 2026	3.50	4.20	4.40	4.80	4.60
Mar 2027	3.50	4.10	4.30	4.70	4.50
Jun 2027	3.50	4.00	4.20	4.60	4.40
Sep 2027	3.50	4.00	4.20	4.50	4.30
Dec 2027	3.50	3.90	4.10	4.50	4.30

MUFG Corporate Market's central forecast for interest rates was updated on 19 December 2024.

Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, MUFG significantly revised their central forecasts. In Summary, MUFG's Bank Rate forecast is now 50bps – 75bps higher than was previously forecast in their last significant forecast revision in May 2024, whilst their PWLB forecasts have been materially lifted to not only reflect the increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

Reflecting on the Autumn Budget, MUFG's view is that the policy announcements will be inflationary, at least in the short term. Their central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent.

For PWLB rates, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the

US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

The result of the US presidential election paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

3.1. Investment and borrowing rates

- The next reduction in Bank Rate is forecast to be made in February 2025 and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025.
- The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides..
- Link's long-term, i.e. beyond 10 years, forecast for the Bank Rate has been increased to 3.25% (from 3%) and as all PWLB certainty rates are currently significantly above this level, borrowing strategies need to be reviewed in that context. Temporary borrowing rates will, generally, fall in line with bank rate cuts.
- Borrowing rates have also been impacted by changes in Government policy. In November 2020, the Chancellor introduced a prohibition to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme.
- Because borrowing rates are generally expected to be higher than investment rates, any new borrowing undertaken by the City will have a "cost of carry" (the difference between higher borrowing costs and low investment returns) to any new borrowing that causes a temporary increase in cash balances.

3.2. Interest Rate Exposure

The City is required to set out how it intends to manage interest rate exposure.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

4. Borrowing Strategy

The borrowing strategy is developed from the capital plans and prospect for interest rates outlined in sections 2 and 3 above, respectively.

For both the City Fund and City's Estate, the capital expenditure plans create borrowing requirements and the borrowing strategy aims to make sure that sufficient cash is available to ensure the delivery of the City's capital programme as planned. The City Bridge Foundation, as stated in section 2.3, now has the power to borrow in limited circumstances following the approval of the Supplemental Royal Charter in June 2023.

The City can choose to manage the borrowing requirements through obtaining external debt from a variety of sources; through the temporary use of its own cash resources ("internal borrowing"); or via a combination of these methods.

4.1. City Fund

The City Fund has a positive Capital Financing Requirement, and this is expected to stabilise over the next five years (see table 2 in section 2.1) including the proposed Investment Property disposals. As the City Fund currently has no external debt, it is therefore maintaining an under-borrowed position which is forecast to increase if the City Fund does not acquire external debt. This means that the capital borrowing need is being managed within internal resources, i.e. cash supporting the City Fund's reserves, balances and cash flow is being used as a temporary measure. This strategy is prudent because it helps the City Fund to minimise borrowing costs in the near term and because it leads to lower investment balances which reduces counterparty risk. Against these advantages the City is conscious of the increased exposure to interest rate risk that is inherent in internal borrowing (i.e. the risk that the City Fund will need to replace internal borrowing with external borrowing in the future when interest rates are high).

Therefore, against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Chamberlain will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. For example,

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the Finance Committee and the Court of Common Council at the next available opportunity.

The City must set two treasury indicators representing the upper limits for the total amount of external debt for City Fund. These limits are required under the Prudential Code in order to ensure borrowing is affordable and is consistent with the City Fund's capital expenditure requirements.

- The **operational boundary for external debt** should represent the most likely scenario for external borrowing. It is acceptable for actual borrowing to deviate from this estimate from time to time. The proposed limit is set to mirror the estimated CFR for the forthcoming year and the following two years.

- The **authorised limit for external debt** is the maximum threshold for external debt for over 2025/26, 2026/27 and 2027/28. This limit is required by the Local Government Act 2003 and is set above the operational boundary to ensure that the City is not restricted in the event of a debt restructuring opportunity.

The proposed limits for 2025/26 are set out in Appendix 2.

International Financial Reporting Standard (IFRS)16: Leases - became effective 1 April 2024 and requires that leases previously expensed through expenditure are now recognised as a right of use asset with an equal value liability, where the lease is longer than 12 months and not insignificant. The estimated balance as at 31 March 2025 includes £11.6 million of leases included as a result of the impact of IFRS16 which has been incorporated into these forecasts, with the *operational boundary* and *authorised limit* debt ceilings set at a level to accommodate these (as set out in Appendix 2).

The City is also required to set a treasury indicator in respect of the maturity structure of external debt to ensure that the external debt portfolio remains appropriately balanced over the long term. Under the revised Treasury Management Code of Practice, the City is required to set limits for all borrowing (i.e. both fixed rate and variable debt), and the proposed limits are detailed in Appendix 2.

4.2. City's Estate

The capital expenditure plans for City's Estate also create a borrowing requirement. City's Estate has issued fixed rate market debt totalling £450m to fund its capital programme. Of this total, £250m was received in 2019/20 and the remaining £200m was received in 2021/22. City's Estate is likely to have a further temporary borrowing requirement arising in 2025/26, which is currently planned to be funded from the liquidation of financial investments and investment property disposals, as opposed to additional external borrowing. However, the Chamberlain will keep this position under review and in doing so will have regard for liquidity requirements, interest rate risk and the implications for the revenue budget.

The regulatory framework established through the CIPFA professional codes and ~~DLUHC~~ MHCLG guidance pertains to the City's local authority function, the City Fund. To facilitate effective management of the City's Estate borrowing requirement, this organisation has adopted the City's Estate Borrowing Policy Statement (Appendix 8), which sets out the principles for effectively managing the risks arising from borrowing on behalf of City's Estate. Under this framework, the City has resolved to establish two further treasury indicators, which will help the organisation to ensure its borrowing plans remain prudent, affordable and sustainable:

- **Estimates of financing costs to net revenue stream.** This indicator is given as a percentage and establishes the amount of the City's Estate net revenue that is used to service borrowing costs.
- **Overall borrowing limits.** This indicator represents an upper limit for external debt which officers cannot exceed.

The proposed indictors for 2025/26 are set out in Appendix 2 alongside the City Fund treasury indicators.

4.3. City Bridge Foundation

The City Bridge Foundation has the power to borrow in limited circumstances following the approval of the Supplemental Royal Charter in June 2023. That is, City Bridge Foundation may borrow for the purposes of raising funds towards the cost of replacement, reconstruction and re-building of any of its Bridges. This may be undertaken without security or on the security of the permanent endowment fund or any part of it or its income. There are no current plans for borrowing to take place in the short to medium term.

4.4. Policy on borrowing in advance of need

The City will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the City can ensure the security of such funds.

4.5. Debt rescheduling

The City does not anticipate any debt rescheduling in the near term. However, should any opportunities for debt rescheduling arise (through a decrease in borrowing rates, for instance), such cases will need to be considered in the context of the current treasury position and the size of the cost of debt repayment (i.e. any penalties incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to the Court of Common Council, at the earliest meeting following its action.

4.6. Sources of borrowing

Historically, the main source of borrowing for UK local authorities has been the PWLB. Any new loans issued by the PWLB are subject to the PWLB's revised lending arrangements with effect from 26 November 2020. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for new loans. The PWLB guidance was updated on 15 June 2023, in particular publishing a new Housing Revenue Account (HRA) rate, at 40 basis points above prevailing gilts, available from 15 June 2023 for 1 year, with its continuation subject to review. Following the Autumn Budget, the availability of this rate has been extended to the end of March 2026. This rate is solely intended for use by HRA and primarily for new housing delivery.

Local authorities have recourse to other sources of external borrowing including financial institutions, other local authorities and the Municipal Bonds Agency. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

5. Annual Investment Strategy (relating to Treasury Management)

The Annual Investment Strategy (relating to Treasury Management) sets out how the City will manage its surplus cash balances for the forthcoming year (i.e. investments held for treasury management purposes). It does not apply to other long-term investment assets, which are dealt with variously by other strategy documents (for instance the Capital Strategy for City Fund, or the Investment Strategy Statement for The City Bridge Foundation).

5.1. Investment Policy

~~The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly~~ The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This strategy deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The City of London's investment policy will have regard to the ~~DLUHC~~ MHCLG's Guidance on Local Government Investments ("the Guidance"), the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2021 ("the CIPFA TM Code") and CIPFA Treasury Management Guidance Notes 2021.

The City's investment priorities are:

(a) security; and

(b) liquidity.

The City will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the City is low in order to give priority to the security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the City will not engage in such activity.

In accordance with the above guidance from the ~~DLUHC~~ MHCLG and CIPFA, and in order to minimise the risk to investments, the City applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the City will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in Appendix 3 under the 'specified' and 'non-specified' investments categories.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

The City Fund will have exposure to Specified and Non-specified Invstments. All other participants in the Treasury Management Strategy Statement and Annual Investment Strategy 2025/26 will have exposure to Specified Investments only.

The City will also set a limit for the amount of its investments which are invested for longer than 365 days (see Appendix 2).

5.2. Expected investment balances

The City's medium term financial plans for City Fund and City's Estate imply that total investment balances within the treasury investment portfolio are expected to decline over the next few years as the capital programme is progressed (City Bridge Foundation's cash balances are expected to remain consistent) but to remain above a minimum constant level of £510m.

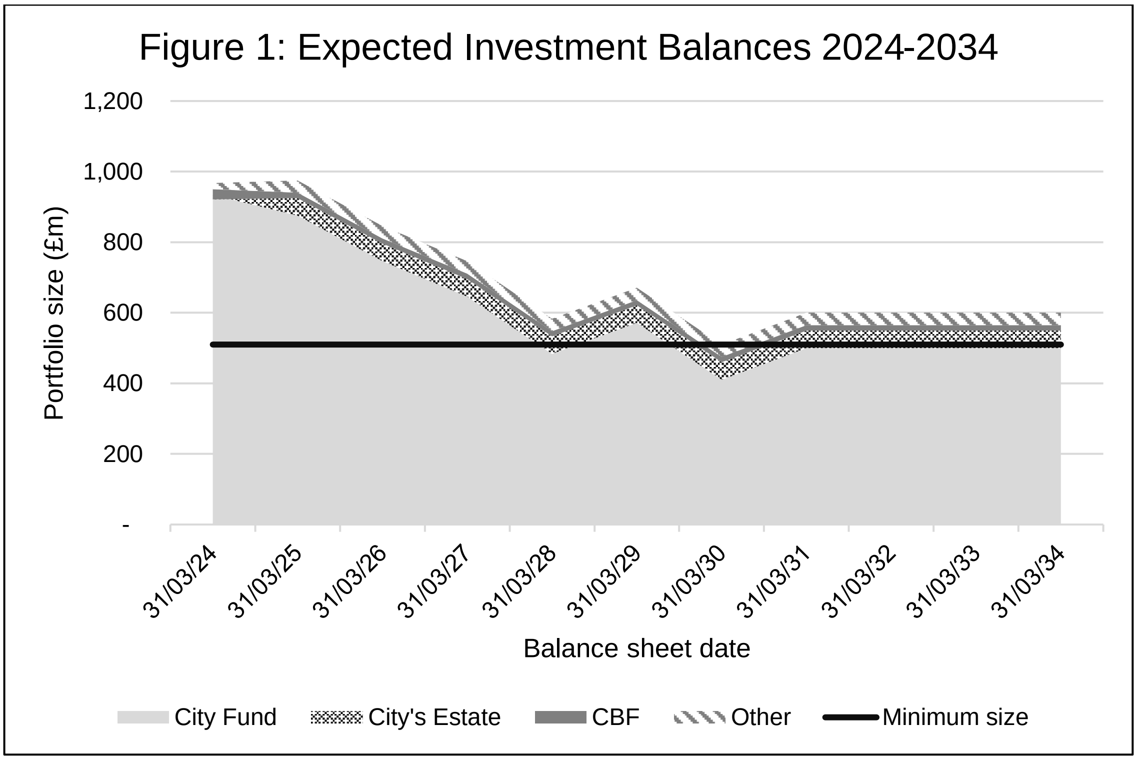


Figure 1 shows projected investment balances across the three funds and others over the coming years as at the end of each financial year.[1] Most of the investment balances relate to City Fund and it should be noted that generally investment balances are expected to be higher between reporting dates.

As the City, and the City Fund in particular, is expected to maintain cash balances over the forecast horizon following financial investment liquidations and investment property disposals, the treasury management strategy will duly consider how best to protect the capital value of resources, particularly ~~in the context~~ during periods of elevated inflation. The City's liquidity requirements and will be subject to ongoing monitoring practices as the capital programme progresses as specified in paragraph 5.3 below.

5.3. Creditworthiness policy

The primary principle governing the City's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the City will ensure that:

[1] "Other" refers to other entities for whom the City provides treasury management services.

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the City's prudential indicators covering the maximum principal sums invested.

The Chamberlain will maintain a counterparty list in compliance with the following criteria and will revise these criteria and submit them to the Investment Committee for approval as necessary. These criteria are separate to those which determine which types of investment instruments are classified as either specified or non-specified as it provides an overall pool of counterparties considered high quality which the City may use, rather than defining what types of investment instruments are to be used.

Regular meetings are held involving the Chamberlain, the Financial Services Director, Corporate Treasurer and members of the Treasury team, where the suitability of prospective counterparties and the optimum duration for lending is discussed and agreed.

Credit rating information is supplied by ~~Link Group~~ MUFG Corporate Markets, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty would result in a temporary suspension, which will be reviewed in light of market conditions.

All credit ratings will be monitored daily**.** The City is alerted to credit warnings and changes to ratings of all three agencies through its use of the Link creditworthiness service.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

- Banks 1 – good credit quality – the City will only use banks which:

  (i) are UK banks; and/or
  (ii) are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA+ (Fitch rating)

  and have, as a minimum the following Fitch, credit rating:

  (i) Short-term – F1
  (ii) Long-term – A-

- ~~Banks 2 – Part nationalised UK banks – Royal Bank of Scotland ring-fenced operations. This bank can be included if it continues to be part nationalised, or it meets the ratings in Banks 1 above.~~

- Banks 2 – The City's own banker (Lloyds Banking Group) for transactional purposes and if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and duration.

- Bank subsidiary and treasury operation - The City will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above. This criteria is particularly relevant to City Re Limited, the City's Captive insurance company, which deposits funds with bank subsidiaries in Guernsey.

- Building Societies – The City may use all societies which:

  (i) have assets in excess of £10bn; or
  (ii) meet the ratings for banks outlined above

- Money Market Funds (MMFs) Constant Net Asset Value (CNAV)* – with minimum credit ratings of AAA/mmf

- Money Market Funds (MMFs) Low-Volatility Net Asset Value (LVNAV)* – with minimum credit ratings of AAA/mmf

- Money Market Funds (MMFs) Variable Net Asset Value (VNAV)* – with minimum credit ratings of AAA/mmf

- Ultra-Short Dated Bond Funds with a credit rating of at least AAA/f (previously referred to as Enhanced Cash Plus Funds)

- Short Dated Bond Fund – These funds typically do not obtain their own standalone credit rating. The funds will invest in a wide array of investment grade instruments, the City will undertake all necessary due diligence to ensure a minimum credit quality across the funds underlying composition is set out within initial Investment Manager Agreements and actively monitor the on-going credit quality of any fund invested.

- Multi-Asset Funds – these funds have the potential to provide above inflation returns with a focus on capital preservation, thus mitigating the erosion in value of long-term cash balances by investing in a range of asset classes that will typically include equities and fixed income. The value of these investments will fluctuate and they are not suitable for cash balances that are required in the near term. Before any investment is undertaken a rigorous due diligence process will be undertaken to identify funds that align with the City's requirements.

- UK Government – including government gilts and the debt management agency deposit facility.

- Local authorities

A limit of £400m will be applied to the use of non-specified investments.

*****Under EU money market reforms implemented in 2018/19, three classifications of money market funds exist:

- Constant Net Asset Value (“CNAV”) MMFs – must invest 99.5% of their assets into government debt instruments and are permitted to maintain a constant net asset value.
- Low Volatility Net Asset Value (“LVNAV”) MMFs – permitted to maintain a constant dealing net asset value provided that certain criteria are met, including that the market net asset value of the fund does not deviate from the dealing net asset value by more than 20 basis points.
- Variable Net Asset Value (“VNAV”) MMFs – price assets using market pricing and therefore offer a fluctuating dealing net asset value

5.4. Environmental, Social and Governance Risks

The City of London Corporation is committed to being a responsible investor. It expects this approach to protect and enhance the value of the assets over the long term. The City recognises that the failure to identify and manage financially material environmental, social and governance risks can lead to adverse financial and reputational consequences. The City will incorporate ESG risk monitoring into its ongoing counterparty monitoring processes, alongside traditional creditworthiness monitoring. This risk analysis will be consistent with the City’s investment horizon, which in many cases will be short term (under one year) in nature.

5.5. Use of additional information other than credit ratings.

Additional requirements under the Code require the City to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

5.6. Time and monetary limits applying to investments.

The time and monetary limits for institutions on the City’s counterparty list are as follows (these will cover both specified and non-specified investments):

	Minimum Creditworthiness Criteria	Money Limit	Time Limit
Banks 1 higher quality	Fitch Rating Long Term: A+ Short Term: F1	£100m	3 years
Banks 1 medium quality	Fitch Long Term Rating Long Term: A Short Term: F1	£100m	1 year
Banks 1 lower quality	Fitch Long Term Rating Long Term: A- Short Term: F1	£50m	6 months
~~**Banks 2 – part nationalised**~~	~~N/A~~	~~£100m~~	~~3 years~~
Banks 2 – City's banker (transactions only, and if bank falls below above criteria)	N/A	£150m	1 working day
Building Societies higher quality	Fitch Long Term Rating A *or* assets of £150bn	£100m	3 years
Building Societies medium quality	Fitch Long Term Rating A- *or* assets of £10bn	£20m	1 year
UK Government (DMADF, Treasury Bills, Gilts)	UK sovereign rating	unlimited	3 years
Local authorities	N/A	£25m	3 years
External Funds*	**Fund rating**	**Money and/or % Limit**	**Time Limit**
Money Market Funds CNAV	AAA	£100m	liquid
Money Market Funds LVNAV	AAA	£100m	liquid
Money Market Funds VNAV	AAA	£100m	liquid
Ultra-Short Dated Bond Funds	AAA	£100m	liquid
Short Dated Bond Funds	N/A	£100m	liquid
Multi Asset Funds	N/A	£50m	liquid

*An overall limit of £100m for each fund manager will also apply.

A list of suitable counterparties conforming to this creditworthiness criteria is provided at Appendix 4. The Chamberlain will review eligible counterparties prior to inclusion on the approved counterparty list and will monitor the continuing suitability of existing approved counterparties.

5.7. Country limits

The City has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ (Fitch) or equivalent. The country limits list, as shown in Appendix 5, will be added to or deducted from by officers should individual country ratings change in accordance with this policy. The UK (which is currently rated as AA-) will be excluded from this stipulated minimum sovereign rating requirement.

5.8. Local authority limits

The City will place deposits up to a maximum of £25m with individual local authorities. In addition the City imposes an overall limit of £250m for outstanding lending to local authorities as a whole at any given time. Although the overall credit standing of the local authority sector is considered high, officers perform additional due diligence on individual prospective local authority borrowers prior to entering into any lending.

5.9. Investment Strategy

In-house funds: The City's in-house managed funds are both cash-flow derived and also represented by core balances which can be made available for investment over a longer period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment returns expectations: Based on our Treasury Consultant's latest forecasts, the Bank Rate is forecast to decrease incrementally in 2025 to 4.00%, with further cuts to 3.50% in 2026. In these circumstances it is likely that investment earnings from money-market related instruments will decrease compared to the earnings in 2024/25, however they remain above the very low levels experienced in previous years. Bank Rate forecasts for financial year ends (March) are:-

- 2024/25 4.50%
- 2025/26 3.75%
- 2026/27 3.50%

5.10. Investment Treasury Indicator and Limit

Total principal funds invested for greater than 365 days are subject to a limit, set with regard to the City's liquidity requirements and to reduce the need for an early sale of an investment, and are based on the availability of funds after each year end, and this is set out in table 5 below.

Table 5: Maximum principal sums invested for more than 365 days (up to three years)			
	2024/25 £M	2025/26 £M	2026/27 £M
Principal sums invested >365 days	300	300	300

5.11. Investment performance benchmarking

The City will monitor investment performance against Bank Rate and 3- and 6-month compounded SONIA (Sterling Overnight Index Average).

5.12. End of year investment report

At the end of the financial year, the City will report on its investment activity as part of its Annual Treasury Report.

5.13. External fund managers

A proportion of the City's funds, amounting to £561.3m as at 31 December 2024 are externally managed on a discretionary basis by the following fund managers:

- Aberdeen Standard Investments
- CCLA Investment Management Limited
- Deutsche Asset Management (UK) Limited
- Federated Investors (UK) LLP
- Invesco Global Asset Management Limited
- Legal and General Investment Management
- Payden & Rygel Global Limited
- Royal London Asset Management

The City's external fund managers will comply with the Annual Investment Strategy, and the agreements between the City and the fund managers additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The credit criteria to be used for the selection of the Money Market fund manager(s) is based on Fitch Ratings and is AAA/mmf. The Ultra-Short Dated Bond Fund managers (including the Payden & Rygel Sterling Reserve Fund, Federated Sterling Cash Plus Fund and Aberdeen Standard Liquidity Fund (Lux) Short Duration Sterling Fund) are all rated by Standard and Poor's as AAA.

The City also uses two Short Dated Bond Funds managed by Legal and General Investment Management and Royal London Asset Management. Both funds are unrated (as is typical of these instruments). The funds offer significant diversification by being invested in a wide range of investment grade instruments, rated BBB and above and limiting exposure to any one debt issuer or issuance. Exposure to these funds is ring-fenced to City Fund.

Since 2018/19, a statutory accounting override ("the override") has been in place that allows councils to disapply part of International Financial Reporting Standard 9 – Financial Instruments (IFRS 9), which would otherwise require councils to make provision in their budgets for changes in value (gains or losses) of certain types of financial investments (i.e. pooled investment funds).

Due to the current IFRS 9 statutory override, only the income portion of the total return on pooled investment funds (i.e. Bond Funds for the City of London Corporation) impacts the City Fund (i.e. General Fund) revenue outturn, whilst the more volatile capital component (i.e. Fair Value (FV) movement) is absorbed by an unusable reserve. As at 31 December 2024 the City had £313.6M invested in external funds (excluding MMF's), through its allocation to ultra-short dated and short-dated bond funds representing 28% of the portfolio. Whilst market volatility has seen the capital value (FV) fluctuate, they provide an income return and are held with a long term view.

The IFRS 9 Statutory Override, which mandates that fluctuations in the fair value of pooled fund investments are taken to an unusable reserve on the balance sheet may cease on 31 March 2025 pending response to the current *'Local Government Finance Settlement'* consultation. From 1 April 2025, if the statutory override ceases, fluctuations in the fair value will therefore be reflected in the revenue account as at 31 March 2026. To mitigate against any reduction in value, a ringfenced IFRS9 reserve will be created in 2024/25 with funding from the overachievement of investment income - the initial transfer to this reserve will be determined based on the outcome of the consultation and the 2024/25 outturn position in consultation with the Chamberlain.

If the fair value of the funds is below the purchase price at the balance sheet date, funds will be released from the reserve to ensure that there is no/minimal net impact to the revenue account. Similarly, if the fund fair value is above the purchase price at the balance sheet date, any unrealised gain will be transferred to the IFRS9 reserve. It would only be appropriate to release such gains to the revenue account if/when the funds are divested from and gains are crystalised.

The City fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund managers. In order to aid this assessment, the City is provided with a suite of regular reporting from its managers. This includes monthly valuations and fund fact sheets as well as quarterly and annual reports. In addition to formal reports, officers also meet with representatives of the fund manager on a regular basis. These meetings allow for additional scrutiny of the manager's activity as well as discussions on the outlook for the fund as well as wider markets.

6. Policy on the use of external service providers

The City uses MUFG Corporate Markets (previously known as Link Group, Link Treasury Services Ltd) as its external treasury management advisers.

The City recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The City will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

7. Scheme of Delegation

Please see Appendix 6.

8. Role of the Section 151 officer

Please see Appendix 7.

9. Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, the Code states that they expect *“all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making*”.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and committee/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

a) Record attendance at training and ensure action is taken where poor attendance is identified.
b) Prepare tailored learning plans for treasury management officers and committee/council members.
c) Require treasury management officers and committee/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
d) Have regular communication with officers and committee/council members, encouraging them to highlight training needs on an ongoing basis.

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

In November 2023 two training sessions were held, aimed at Members of the Investment Committee and Finance Committee, as each year it is the responsibility of these two committees to review and approve the Treasury Management Strategy before review by the Court of Common Council.

The first session was held on 13 November 2023 and 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, to develop the skills and knowledge for Member scrutiny of Treasury Management decisions.

The second session was held on 27 November 2023 and covered developing the Treasury Management Strategy - notably prudential indicators, cashflow forecasts, investment strategy, credit worthiness, counterparty list, ESG considerations – and a review of the investment portfolio and an economic outlook.

Both sessions were led by the Managing Director of Link Treasury Services (now known as MUFG Corporate Markets) and were well attended by Members. Further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

APPENDICES

1. Interest Rate Forecasts 2024 - 2027
2. Treasury Indicators 2024/25 - 2026/27 and Minimum Revenue Provision Statement
3. Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
4. Current Approved Counterparties
5. Approved Countries for Investments
6. Treasury Management Scheme of Delegation
7. The Treasury Management Role of the Section 151 Officer
8. City’s Estate Borrowing Policy Statement

APPENDIX 1

LINK INTEREST RATE FORECASTS 2024 – 2027 (as at 11/11/2024 with no change as at 19/12/2024)

MUFG Corporate Markets Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Interest Rate Forecasts								
Bank Rate	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
MUFG CM	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%	3.50%
Cap Econ	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%	3.50%
5Y PWLB RATE								
MUFG CM	4.90%	4.80%	4.60%	4.50%	4.50%	4.40%	4.30%	4.20%
Cap Econ	5.10%	4.90%	4.80%	4.60%	4.60%	4.50%	4.50%	4.40%
10Y PWLB RATE								
MUFG CM	5.10%	5.00%	4.80%	4.80%	4.70%	4.50%	4.50%	4.40%
Cap Econ	5.30%	5.10%	5.00%	4.80%	4.80%	4.70%	4.60%	4.60%
25Y PWLB RATE								
MUFG CM	5.50%	5.40%	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%
Cap Econ	5.70%	5.50%	5.30%	5.00%	4.90%	4.90%	4.80%	4.70%
50Y PWLB RATE								
MUFG CM	5.30%	5.20%	5.10%	5.00%	4.90%	4.80%	4.70%	4.60%
Cap Econ	5.30%	5.20%	5.20%	5.10%	5.00%	4.90%	4.80%	4.80%

Note: The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective since 1st November 2012.

APPENDIX 2

TREASURY INDICATORS 2025/26 – 2028/29 AND MINIMUM REVENUE PROVISION STATEMENT

TABLE 1: TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Probable Outturn	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Authorised Limit for external debt (City Fund) -						
Borrowing	199.8	326.8	326.8	326.8	326.8	326.8
other long-term liabilities*	12.7	24.2	21.2	18.4	17.6	17.0
TOTAL	**212.5**	**351.0**	**348.0**	**345.2**	**344.4**	**343.8**
Operational Boundary for external debt (City Fund) -						
Borrowing	99.8	226.8	226.8	226.8	226.8	226.8
other long-term liabilities*	12.7	24.2	21.2	18.4	17.6	17.0
TOTAL	**112.5**	**251.0**	**248.0**	**245.2**	**244.4**	**243.8**
Actual external debt (City Fund)*	0	0				
Upper limit for total principal sums invested for over 365 days	£300m	£300m	£300m	£300m	£300m	£300m
(per maturity date)						

**Other long term liabilities include the impact of IFRS16*
***Actual external debt at the end of the financial year*

TABLE 2: Maturity structure of borrowing during 2025/26	upper limit	lower limit
- under 12 months	50%	0%
- 12 months and within 24 months	50%	0%
- 24 months and within 5 years	50%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	100%	0%

TABLE 3: CITY'S ESTATE BORROWING INDICATORS	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Probable Outturn	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%
Estimates of financing costs to net revenue stream	13.1%	14.2%	14.6%	14.2%	14.3%	14.2%
	£m	£m	£m	£m	£m	£m
Overall borrowing limits	450	450	450	450	450	450

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2025/26

To ensure that capital expenditure funded by borrowing is ultimately financed, the City Fund is required to make a Minimum Revenue Provision (MRP) when the Capital Financing Requirement (CFR) is positive. A positive CFR is indicative of an underlying need to borrow and will arise when capital expenditure is funded by 'borrowing', either external (loans from third parties) or internal (use of cash balances held by the City Fund).

DLUHC regulations have been issued which require the Court of Common Council to approve **an MRP Statement** in advance of each year. The regulatory guidance recommends four options for local authorities. Options 1 and 2 relate to government supported borrowing prior to 2008. As the City Fund does not have any outstanding borrowing from this period, these options are not relevant. For any prudential borrowing undertaken after 2008, options 3 and 4 apply:

- **Option 3: Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- **Option 4: Depreciation method** – MRP will follow standard depreciation accounting procedures;

For any new borrowing under the prudential financing system, the City Fund will apply the asset life method over the useful economic life of the relevant assets. MRP commences in the financial year following the one in which the expenditure was incurred. When borrowing to provide an asset, the asset life is deemed to commence in the year in which the asset first becomes operational. Therefore, MRP will first be made in the financial year following the one in which the asset becomes operational. 'Operational' here means when an asset transfers from Assets under Construction to an Assets in Use category under normal accounting rules.

As in previous years, the City will continue to apply a separate MRP policy for that portion of the CFR which has arisen through the funding of capital expenditure from cash received from long lease premiums which are deferred in accordance with accounting standards. This deferred income is released to revenue over the life of the leases to which it relates, typically between 125 and 250 years.

The City's MRP policy in respect of this form of internal borrowing is based on a mechanism to ensure that the deferred income used to finance capital expenditure is not then 'used again' when it is released to revenue. The amount of the annual MRP is therefore to be equal to the amount of the deferred income released, resulting in an overall neutral impact on the bottom line.

MRP will fall due in the year following the one in which the expenditure is incurred, or the year after the asset becomes operational.

The MRP liability for 2024/25 is £1.4m and is estimated at £1.4m for 2025/26.

TREASURY MANAGEMENT PRACTICES (TMP 1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where appropriate.

	Minimum 'High' Credit Criteria	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies, including part nationalised banks	Short-term F1, Long-term A-,	In-house via Fund Managers
Money Market Funds CNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds LVNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Money Market Funds VNAV	AAA/mmf (or equivalent)	In-house via Fund Managers
Ultra-Short Dated Bond Fund	AAA/f (or equivalent)	In-house via Fund Managers
UK Government Gilts	UK Sovereign Rating	In-house & Fund Managers
Treasury Bills	UK Sovereign Rating	In-house & Fund Managers
Sovereign Bond issues (other than the UK government)	AA+	Fund Managers

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of £400m will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the categories set out below.

	Minimum Credit Criteria	**Use**	**Maximum**	**Maximum Maturity Period**
Term deposits – other LAs (with maturities in excess of one year)	-	In-house	£25m per LA	Three years
Term deposits, including callable deposits – banks and building societies (with maturities in excess of one year)	Long-term A+, Short-term F1,	In-house and Fund Managers	£300m overall	Three years
Certificates of deposits issued by banks and building societies with maturities in excess of one year	Long-term A+, Short-term F1,	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Government Gilts with maturities in excess of one year	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
UK Index Linked Gilts	AA-	In-house on a buy-and-hold basis and fund managers	£50m overall	Three years
Short Dated Bond Funds	--	In-house via Fund Managers	£100m per Fund	n/a*
Multi Asset Funds	--	In-house via Fund Managers	£50m overall	n/a*

*Short Dated Bonds Funds and Multi Asset Funds are buy and hold investments with no pre-determined maturity at time of funding, liquidity access is typically T + 3 or 4.

APPROVED COUNTERPARTIES AS AT 31 DECEMBER 2024

UK BANKS AND THEIR WHOLLY OWNED SUBSIDIARIES

FITCH RATINGS		BANK*	LIMIT PER GROUP	DURATION
A+ A+	F1 F1	Barclays Bank PLC (NRFB) Barclays Bank UK PLC (RFB)	£100M	Up to 3 years
A+	F1	Goldman Sachs International Bank	£100M	Up to 3 years
AA	F1+	Handelsbanken PLC	£100m	Up to 3 years
AA- AA-	F1+ F1+	HSBC UK Bank PLC (RFB) HSBC Bank PLC (NRFB)	£100M	Up to 3 years
A+ A+ A+	F1 F1 F1	Lloyds Bank Corporate Markets PLC (NRFB) Lloyds Bank PLC (RFB) Bank of Scotland PLC (RFB)	£150M	Up to 3 years
A+ A+ A+	F1 F1 F1	NatWest Markets PLC (NRFB) National Westminster Bank PLC (RFB) The Royal Bank of Scotland PLC (RFB)	£100M	Up to 3 years
A+	F1	Santander UK PLC (RFB)	£100M	Up to 3 years
A+	F1	Standard Chartered Bank	£100M	Up to 3 years

*Under the ring-fencing initiative, the largest UK banks are now legally required to separate the core retail business into a ring-fenced bank (RFB) and to house their complex investment activities into a non-ring-fenced bank (NRFB).

BUILDING SOCIETIES

FITCH RATINGS		BUILDING SOCIETY	ASSETS	LIMIT PER GROUP	DURATION
A	F1	Nationwide	£282Bn	£100M	Up to 3 years
A-	F1	Yorkshire	£64Bn	£20M	Up to 1 year
A-	F1	Coventry	£63Bn	£20M	Up to 1 year
A-	F1	Skipton	£39Bn	£20M	Up to 1 year
A-	F1	Leeds	£30Bn	£20M	Up to 1 year

FOREIGN BANKS

(with a presence in London)

FITCH RATINGS		COUNTRY AND BANK	LIMIT PER GROUP	DURATION
		AUSTRALIA (AAA)		
AA-	F1	Australia and New Zealand Banking Group Ltd	£100M	Up to 3 years
AA-	F1	National Australia Bank Ltd	£100M	Up to 3 years
		CANADA (AA+)		
AA-	**F1+**	Bank of Montreal	£100M	Up to 3 years
AA-	**F1+**	Royal Bank of Canada	£100M	Up to 3 years
AA-	**F1+**	Toronto-Dominion Bank	£100M	Up to 3 years
		GERMANY (AAA)		
A+	**F1+**	Landesbank Hessen-Thueringen Girozentrale (Helaba)	£100M	Up to 3 years
		NETHERLANDS (AAA)		
A+	**F1**	Cooperatieve Rabobank U.A.	£100M	Up to 3 years
		SINGAPORE (AAA)		
AA-	**F1+**	DBS Bank Ltd.	£100M	Up to 3 years
AA-	**F1+**	United Overseas Bank Ltd.	£100M	Up to 3 years
		SWEDEN (AAA)		
AA-	**F1+**	Skandinaviska Enskilda Banken AB	£100M	Up to 3 years
AA-	**F1+**	Swedbank AB	£100M	Up to 3 years
AA	**F1+**	Svenska Handelsbanken AB	£100M	Up to 3 years

MONEY MARKET FUNDS

FITCH RATINGS	MONEY MARKET FUNDS Limit of £100M per fund	DURATION
AAA/mmf	CCLA - Public Sector Deposit Fund	Liquid
AAA/mmf	Federated Hermes Short-Term Sterling Prime Fund*	Liquid
AAA/mmf	Aberdeen Sterling Liquidity Fund*	Liquid
AAA/mmf	Invesco Liquidity Funds Plc - Sterling Liquidity Portfolio	Liquid
AAA/mmf	DWS Deutsche Global Liquidity Series Plc – Sterling Fund	Liquid

ULTRA SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	ULTRA SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
AAA/f	Payden Sterling Reserve Fund	Liquid
AAA/f	Federated Hermes Sterling Cash Plus Fund*	Liquid
AAA/f	Aberdeen Standard Investments Short Duration Managed Liquidity Fund*	Liquid

*A combined limit of £100m applies to balances across the Money Market Fund and Ultra Short Dated Bond Fund both managed by Federated Hermes and Aberdeen Standard

SHORT DATED BOND FUNDS

FITCH RATINGS (or equivalent)	SHORT DATED BOND FUNDS Limit of £100M per fund	DURATION
-	Legal and General Short Dated Sterling Corporate Bond Index Fund	Liquid
-	Royal London Investment Grade Short Dated Credit Fund	Liquid

LOCAL AUTHORITIES

LIMIT OF £25M PER AUTHORITY AND £250M OVERALL
Any UK local authority

APPENDIX 5

APPROVED COUNTRIES FOR INVESTMENT

This list is based on those countries which have sovereign ratings of AAA and AA+ from Fitch Ratings as at 24 January 2025.

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- United States

AA-

- United Kingdom

TREASURY MANAGEMENT SCHEME OF DELEGATION

The roles of the various bodies of the City of London Corporation with regard to treasury management are set out below.

(i) Court of Common Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy.

(ii) Investment Committee and Finance Committee

- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit & Risk Management Committee

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Investment Committee of the City Bridge Foundation

- Review of the Treasury Management Strategy Statement on behalf of the Charity.

APPENDIX 7

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Chamberlain

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers.

CITY'S ESTATE BORROWING POLICY STATEMENT

1. The City Corporation shall ensure that all of its City's Estate capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the overall fiscal sustainability of City's Estate.
2. Borrowing shall be undertaken on an affordable basis and total capital investment must remain within sustainable limits. When assessing the affordability of its City's Estate investment plans, the City Corporation will consider both the City's Estate resources currently available and its estimated future resources, together with the totality of its City's Estate capital plans, income and expenditure forecasts.
3. To ensure that the benefits of capital expenditure are matched against the costs, a debt financing strategy will be established.
4. To the greatest extent possible, expected finance costs arising from borrowing are matched against appropriate revenue income streams.
5. The City Corporation will organise its borrowing on behalf of City's Estate in such a way as to ensure that financing is available when required to manage liquidity risk (i.e. to make sure that funds are in place to meet payments for capital expenditure on a timely basis). The City Corporation will only borrow in advance of need on behalf of City's Estate on the basis of a sound financial case (for instance, to mitigate exposure to rising interest rates).
6. The City Corporation will ensure debt is appropriately profiled to mitigate refinancing risk.
7. The City Corporation will monitor the sensitivity of liabilities to inflation and will manage inflation risks in the context of the inflation exposures across City's Estate (e.g. the City Corporation will be mindful of the potential impact of index-linked borrowing on the financial position of City's Estate).
8. The City Corporation will seek to obtain value for money in identifying appropriate borrowing for City's Estate. Where internal borrowing (i.e. from City Fund or City Bridge Foundation) is used as a source of funding, the City Corporation will keep under review the elevated risk of refinancing.
9. All borrowing is expected to be drawn in Sterling. Where debt is raised in foreign currencies, the City Corporation will consider suitable measures for mitigating the risks presented by fluctuation in exchange rates.
10. Interest rate movement exposure will be managed prudently, balancing cost against likely financial impact.
11. The City Corporation will maintain the following indicators which relate to City's Estate borrowing only:
    - Estimates of financing costs to net revenue stream
    - Overall borrowing limits

COUNTERPARTY EXPOSURE AS AT 31 DECEMBER 2024 APPENDIX 1

	Counterparty Limit £M	Total Invested as at 31-Dec-24 £M	Average Rate of Return %
TOTAL INVESTED		**1,121.3**	**5.05%**
FIXED TERM DEPOSITS			
UK BANKS			
Goldman Sachs	100.0	30.0	4.92%
NatWest	100.0	90.0	5.56%
Standard Chartered	100.0	40.0	4.84%
		160.0	
FOREIGN BANKS			
Australia & New Zealand	100.0	55.0	5.08%
DBS	100.0	10.0	5.15%
Helaba	100.0	20.0	5.27%
Rabobank	100.0	40.0	5.14%
Toronto Dominion	100.0	80.0	5.22%
UOB	100.0	20.0	4.83%
		225.0	
LOCAL AUTHORITIES			
Central Bedfordshire	25.0	20.0	4.90%
Cornwall	25.0	20.0	5.20%
Lancashire CC	25.0	20.0	4.80%
Stockport MBC	25.0	20.0	4.90%
Surrey CC	25.0	20.0	5.00%
		100.0	
LIQUIDITY FUNDS			
Aberdeen SLI Liquidity Fund	100.0	40.3	4.77%
CCLA - Public Sector Deposit Fund	100.0	47.1	4.76%
Deutsche Global Liquidity Fund	100.0	29.5	4.75%
Federated Prime Liquidity Fund	100.0	48.7	4.79%
Invesco Sterling Liquidity Fund	100.0	82.1	4.81%
		247.7	
ULTRA SHORT DATED BOND FUNDS			
Payden Sterling Reserve Fund	100.0	67.7	4.95%
Aberdeen SLI Short Duration Fund	100.0	56.6	5.42%
Federated Sterling Cash Plus Fund	100.0	28.3	5.18%
		152.6	
SHORT DATED BOND FUNDS			
L&G	100.0	81.0	4.88%
Royal London	100.0	80.0	5.38%
		161.0	
NOTICE ACCOUNTS			
Australia and New Zealand 185 Days Account	100.0	45.0	4.93%
Goldman Sachs 272 Days Account	100.0	30.0	4.81%
		75.0	
TOTAL		**1,121.3**	

LINK Group

City Of London Corporation

Client Designated MMF, SDBF & USDBF Rates

Monthly Investment Analysis Review

December 2024

Monthly Economic Summary

General Economy

The S&P Global UK Manufacturing PMI fell to 47 in December 2024 from 48 in the previous month, revised lower from the preliminary estimate of 47.3 and firmly below the initial market expectations of 48.2. The result confirmed the fastest contraction in activity in 11 months, pressured by a second consecutive period of lower output by factories and an accelerated decline in new orders. Producers noted customer destocking and the impact of weaker demand from European clients, which led to the fastest reduction in overall export sales since October 2023. Meanwhile, the UK Services PMI rose to 51.4 in December from 50.8, slightly above forecasts of 51, preliminary data showed. The modest acceleration was driven by rising business activity and reduced backlogs of work amid limited pressure on operations. However, service providers reported a sharp drop in employment at year-end, largely due to the non-replacement of voluntary leavers in response to rising employment costs. The S&P Global UK Construction PMI rose to 55.2 in November 2024, up from 54.3 in October and beating market expectations of a drop to 53.5. The upturn was driven by the sharpest rise in commercial work in 2-½ years, helping offset the steepest decline in residential work since June. New orders across the sector grew for the tenth consecutive month, though the growth rate slowed to its weakest since June. Employment rose marginally, but the rate of job creation eased to a three-month low.

The UK economy contracted by 0.1% m/m in October, following a similar decline in September and falling short of market forecasts of a 0.1% expansion. The largest downward contribution came from production which fell 0.6%, due to manufacturing, mostly pharmaceutical products and preparations, machinery, equipment, and chemicals. Further, GDP for Q3 was revised lower to show no growth in its final reading.

The UK recorded a 173k rise in employment in the three months to October, easing from an upwardly revised 253k advance in the previous period. The reading defied market expectations of a 5k increase and marked the seventh consecutive three-month period of job growth. The unemployment rate was unchanged at 4.3%, while wage growth surprised to the upside, with total pay and that excluding bonuses rising to 5.2% in October as prior readings were also revised higher.

The Consumer Price Index increased 0.1% m/m in November 2024, following a 0.6% rise in October and in line with expectations. The annual inflation rate in the UK edged up for a second month to 2.6% in November 2024 from 2.3% in October, also matching forecasts. It is the highest inflation rate in eight months, with prices rising at a faster pace for recreation and culture, mostly admission fees to live music events and theatres and computer games; housing and utilities, particularly actual rents for housing; and food and non-alcoholic beverages.

Retail sales in the UK edged up 0.2% m/m in November 2024, rebounding from a 0.7% fall in October but below forecasts of 0.5%. Growth in sales at food stores, mostly supermarkets and other non-food stores was partly offset by a fall in clothing retailers, which pushed volumes to their lowest level since January 2022, with retailers reporting that economic factors were affecting sales. Meanwhile, the GfK Consumer Confidence Index rose by 1 point to -17 in December 2024, marking the second consecutive month of improvement. Elsewhere, public sector net borrowing, excluding public sector banks in the UK, decreased to £11.25 billion in November 2024, down from an upwardly revised £18.22 billion in October and below the expected £13.0 billion. This marked the lowest November borrowing since 2021 and £3.4 billion less than in November last year on lower interest costs. This left total public sector spending for the fiscal year to date up by £0.1 billion from a year earlier to £101.4 billion, with higher spending on public services and benefits nearly offset by reduced debt interest payments. Finally, the Bank of England's Monetary Policy Committee kept Bank Rate at 4.75% at its final meeting of the year. However, while the decision was in line with market expectations, the vote was not, with the 6-3 outcome providing a dovish twist to the outcome. The three members who voted for an immediate cut cited concerns over the economic outlook, which could pull inflation below target over the medium term.

US Economy

The US economy added 227K jobs in November 2024, marking a strong recovery from the upwardly revised 36K gain in October, which was heavily influenced by Boeing strikes and the disruptions caused by Hurricanes Helene and Milton. Meanwhile, the US economy expanded an annualised 3.1% in the third quarter of 2024, higher than 2.8% in the second estimate and above 3% in Q2. It is the biggest growth rate so far this year. Finally, the annual inflation rate in the US rose for a 2nd consecutive month to 2.7% in November 2024 from 2.6% in October, in line with expectations. Despite the more positive economic backdrop, the Federal Reserve cut its policy rates by 0.25% at its December meeting.

EU Economy

The annual inflation rate in the Eurozone increased to 2.2% in November 2024 from 2% in October, but below 2.3% in the preliminary estimate. Meanwhile, the core rate, excluding food and energy prices, remained at 2.7%. GDP in the bloc expanded 0.4% on q/q in the three months to September 2024, the strongest growth rate in two years, following a 0.2% rise in Q2 and in line with the previous estimates. Household spending (0.7%), gross fixed capital formation and inventories were the main contributors while government spending also increased. Among the largest economies, GDP in Germany, France, and Spain expanded, whereas Italy and Netherlands stalled. Finally, as widely expected and signalled by speakers in the run-up to the decision, the European Central bank cut its policy rates by 0.25% at its December meeting.

Housing

The Halifax House Price Index in the UK increased 4.8% y/y in November 2024, the most in two years, following an upwardly revised 4% rise in October and higher than forecasts of 3.6%. The Nationwide House Price Index in the United Kingdom rose by 4.7% y/y in December 2024, the fastest pace since October 2022, following a 3.7% increase in November and exceeding forecasts of 3.8%.

Currency

Sterling appreciated against the Euro, however it depreciated against the Dollar over the month.

December	Start	End	High	Low
GBP/USD	$1.2629	$1.2524	$1.2798	$1.2511
GBP/EUR	€1.2062	€1.2095	€1.2148	€1.2018

Interest Rate Forecasts

Capital Economics revised its forecasts during the month, while Link Group maintained its previous position. Both expect Bank Rate to fall to a low of 3.50%.

Bank Rate	Now	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Link Group	**4.75%**	4.50%	4.25%	4.00%	4.00%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%
Capital Economics	**4.75%**	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%	3.50%	-	-	-	-

City Of London Corporation

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	40,300,000	4.77%		MMF	AAAm		
MMF CCLA	47,100,000	4.76%		MMF	AAAm		
MMF Deutsche	29,500,000	4.75%		MMF	AAAm		
MMF Federated Investors (UK)	48,700,000	4.79%		MMF	AAAm		
MMF Invesco	82,100,000	4.81%		MMF	AAAm		
USDBF Aberdeen Standard Investments	56,581,744	5.42%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	28,299,287	5.18%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	67,751,327	4.95%		USDBF	AAAf		
NatWest Markets Plc (NRFB)	20,000,000	5.23%	10/01/2024	10/01/2025	A	0.001%	253
Surrey County Council	20,000,000	5.00%	26/07/2024	27/01/2025	AA-	0.002%	0
Australia and New Zealand Banking Group Ltd	20,000,000	5.31%	29/04/2024	29/01/2025	AA-	0.002%	352
Toronto Dominion Bank	20,000,000	5.19%	15/05/2024	03/02/2025	A+	0.004%	860
NatWest Markets Plc (NRFB)	20,000,000	5.20%	13/05/2024	13/02/2025	A	0.006%	1112
Standard Chartered Bank	20,000,000	4.86%	16/10/2024	17/02/2025	A+	0.006%	1214
Standard Chartered Bank	20,000,000	4.82%	22/11/2024	21/02/2025	A+	0.007%	1315
Toronto Dominion Bank	20,000,000	5.31%	24/05/2024	24/02/2025	A+	0.007%	1391
Goldman Sachs International Bank	20,000,000	4.93%	04/09/2024	04/03/2025	A+	0.008%	1593
United Overseas Bank Ltd	20,000,000	4.83%	09/12/2024	07/03/2025	AA-	0.004%	802
Australia and New Zealand Banking Group Ltd	15,000,000	5.00%	10/09/2024	10/03/2025	AA-	0.004%	629
Goldman Sachs International Bank	10,000,000	4.89%	10/09/2024	10/03/2025	A+	0.009%	872
DBS Bank Ltd	10,000,000	5.15%	15/07/2024	14/03/2025	AA-	0.004%	443
Cooperatieve Rabobank U.A.	20,000,000	5.28%	21/06/2024	18/03/2025	A+	0.010%	1947
Australia and New Zealand Banking Group Ltd	20,000,000	4.90%	19/08/2024	19/03/2025	AA-	0.005%	947
Cornwall Council	20,000,000	5.20%	18/12/2024	19/03/2025	AA-	0.005%	0
Central Bedfordshire Council	20,000,000	4.90%	08/10/2024	08/05/2025	AA-	0.008%	0
Stockport Metropolitan Borough Council	20,000,000	4.90%	14/10/2024	05/06/2025	AA-	0.009%	0
Landesbank Hessen-Thueringen Girozentrale (Helaba)	20,000,000	5.27%	07/06/2024	09/06/2025	A+	0.020%	4045
Toronto Dominion Bank	20,000,000	5.21%	05/07/2024	04/07/2025	A+	0.023%	4677
Australia and New Zealand Banking Group Ltd	45,000,000	4.93%		Call185	AA-	0.011%	5056

City Of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
Toronto Dominion Bank	20,000,000	5.16%	17/07/2024	17/07/2025	A+	0.025%	5006
Cooperatieve Rabobank U.A.	20,000,000	5.00%	01/08/2024	01/08/2025	A+	0.027%	5385
Goldman Sachs International Bank	15,000,000	4.81%		Call272	A+	0.034%	5158
Goldman Sachs International Bank	15,000,000	4.81%		Call272	A+	0.034%	5158
Lancashire County Council	20,000,000	4.80%	30/09/2024	30/09/2025	AA-	0.017%	0
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.080%	16013
NatWest Markets Plc (NRFB)	30,000,000	6.20%	07/08/2023	07/08/2026	A	0.096%	28902
Borrower - Funds	**Principal (£)**	**Interest Rate**	**Start Date**	**Maturity Date**			
L&G	80,994,095	4.88%					
ROYAL LONDON	79,954,042	5.38%					
Total Investments	**£1,121,280,495**	**5.05%**					
Total Investments - excluding Funds	**£960,332,358**	**5.03%**				0.018%	**£93,129**
Total Investments - Funds Only	**£160,948,138**	**5.13%**					

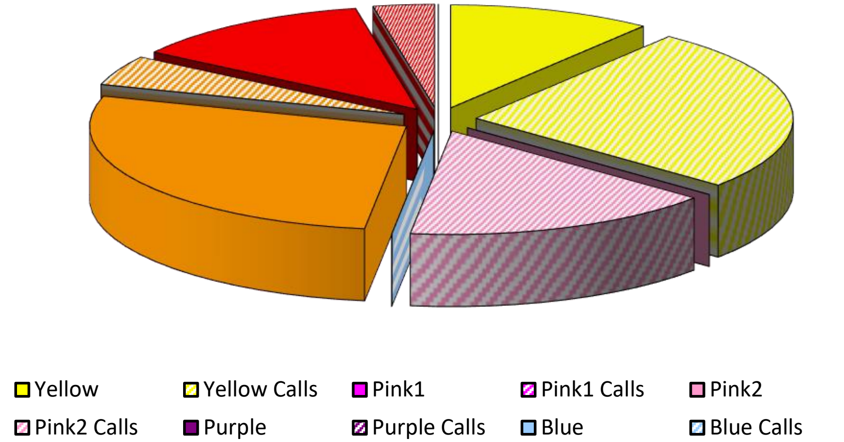
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio’s historic risk of default therefore measures the historic risk of default attached only to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

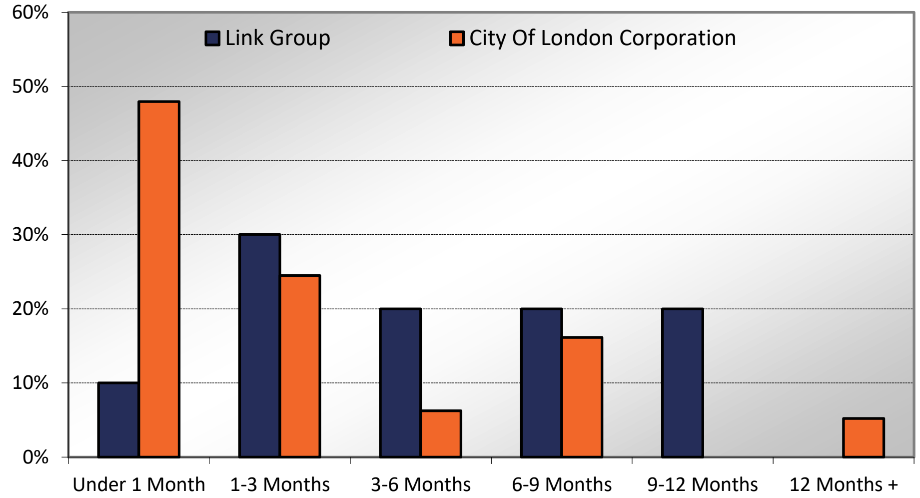
Where Link Group have provided a return for a property fund, that return covers the 12 months to September 2024, which are the latest returns currently available.

City Of London Corporation

Portfolio Composition by Link Group's Suggested Lending Criteria



Y	Pi1	Pi2	P	B	O	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



Portfolios weighted average risk number = 2.67

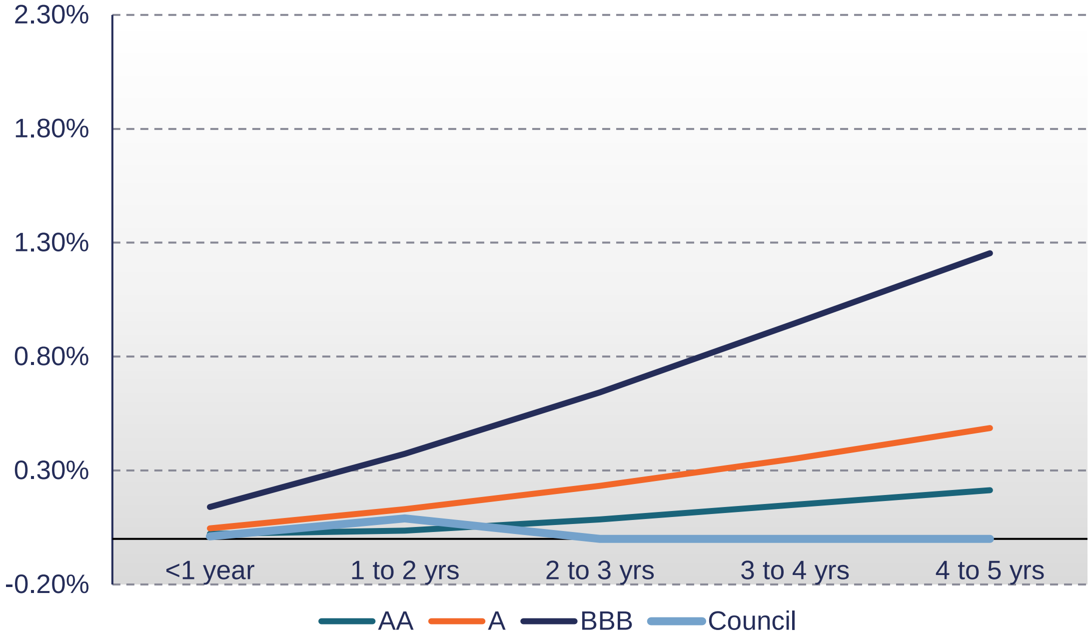
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs WAM	Excluding Calls/MMFs/USDBFs WAM at Execution
Yellow	36.21%	£347,700,000	71.24%	£247,700,000	25.79%	4.83%	38	63	132	217
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	15.89%	£152,632,358	100.00%	£152,632,358	15.89%	5.17%	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	32.28%	£310,000,000	14.52%	£45,000,000	4.69%	5.07%	110	241	97	250
Red	15.62%	£150,000,000	20.00%	£30,000,000	3.12%	5.28%	260	493	257	548
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%	**£960,332,358**	**49.50%**	**£475,332,358**	**49.50%**	**5.03%**	**90**	**177**	**144**	**317**

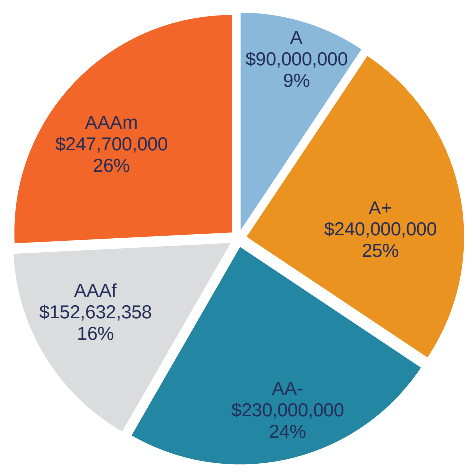
City Of London Corporation

Investment Risk and Rating Exposure

Investment Risk Vs. Rating Categories



Rating Exposure



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%	0.04%	0.09%	0.15%	0.21%
A	0.05%	0.13%	0.23%	0.35%	0.49%
BBB	0.14%	0.37%	0.64%	0.95%	1.25%
Council	0.01%	0.09%	0.00%	0.00%	0.00%

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.

City Of London Corporation

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
16/12/2024	2065	Landesbank Hessen-Thueringen Girozentrale	Germany	A Viability Rating of bbb was assigned.

City Of London Corporation

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
16/12/2024	2064	France	France	The Sovereign Rating was downgraded to Aa3 from Aa2 and the Outlook on the Sovereign Rating was changed to Stable from Negative.
17/12/2024	2066	National Bank of Canada	Canada	The Long Term Rating was upgraded to Aa2 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Positive Watch.
18/12/2024	2067	BNP Paribas	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
18/12/2024	2067	Credit Agricole S.A.	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
18/12/2024	2067	Credit Agricole Corporate and Investment Bank	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
18/12/2024	2067	Credit Industriel et Commercial	France	The Long Term Rating was downgraded to A1 from Aa3 and the Outlook on the Long Term Rating was changed to Stable from Negative.
19/12/2024	2068	Co-operative Bank PLC (The)	United Kingdom	The Long Term and Short Term Ratings were upgraded to A3 from Baa3 and to P-2 from P-3 respectively. The Outlook on the Long Term Rating was changed to Stable from Positive Watch.
19/12/2024	2068	Coventry Building Society	United Kingdom	The Long Term and Short Term Ratings were downgraded to A3 from A2 and to P-2 from P-1 respectively. The Outlook on the Long Term Rating was changed to Stable from Negative Watch.

City Of London Corporation

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
02/12/2024	2063	KBC Bank N.V.	Belgium	The Outlook on the Long Term Rating was changed to Positive from Stable.

City Of London Corporation

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APPENDIX 3

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 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
	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		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	2050	N/A	Y	PRI	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

DRAFT CITY SURVEYOR'S DEPARTMENT 25/26 BUSINESS PLAN

About us:

The City Surveyor's Department (CSD) is accountable for the management of the City of London Corporation's (CoLC) property investment portfolio and property/construction projects (minor & major). It is responsible for oversight of corporate real estate, the heritage estate, and providing day-to-day outsourced facilities management services to both investment and operational portfolios via a third-generation integrated model. Additionally, it operates three wholesale food markets and ensures the smooth operation of the Central Criminal Court.

Departmental objectives:

Strategic Asset Management (Operational Property Portfolio Non-Housing): Develop and implement asset management plans that align with the Corporate Property Asset Management Strategy supporting City services and the outcomes of the Corporate Plan. Maximise income and /or capital receipts arising from our operational property portfolio to support the Medum Term Financial Plan, optimise the efficiency of our operational property portfolio allocated to departments and Institutions and decarbonise to achieve carbon net zero.

Investment Portfolio Management: Manage the investment property portfolios (City Fund, City's Estate and City Bridge Foundation) to maximise rental income and deliver long-term performance pursuant to the Real Estate Investment Strategy.

Property Projects: Delivery of new build construction, fit-out, infrastructure upgrade and refurbishment projects ensuring our customer expectations are met or exceeded by ensuring focus on innovation, social responsibility, sustainability, industry standards, and achieving best-in-class value.

Property Services (Operations Group): Deliver best in class property services to the Corporation's varied and complex property portfolios, ensuring our buildings are fit for their purpose. Drive enhanced efficiencies through the provision of facilities management, building surveying and engineering, security and reception services and energy and sustainability management.

Central Criminal Court: Maintain an iconic, high quality, London court complex, that supports the Court Services and associated departments to run smoothly, working collaboratively across all operational functions in delivering facilities management (security, maintenance, cleaning, catering). Support the Shrievalty to promote the City of London and make a positive contribution to the UK. Generate further commercial event income.

Major Disposals: Disposal of large sites from across the City's portfolios via sales, development agreements, and corporate joint ventures with development partners. To deliver corporate objectives, such as Destination City, through the regeneration of sites or their sale to fund other priorities. Responsible for the preservation of our heritage estate portfolio, comprising of over 800 assets through strategic conservation management.

Markets: Provide a vital link in the food supply chain for London and the South by operating three thriving wholesale food markets, with national and international reach. Manage and provide a safe and compliant trading environment for our tenants.

Cross Cutting objectives:

Major Programmes: In collaboration with the Town Clerk's Department, oversee the delivery of the Sailsbury Square development (SSD), London Museum relocation, Barbican Renewal, and other strategic construction initiatives.

Head of Profession (HOP): The City Surveyor is HOP for Estates and Facilities Management providing Chief Officers with advice and support in delivering their property accountabilities. The Director of Markets is similarly HOP for Fleet Management. The department is actively engaging with corporate colleagues to further define and communicate roles and responsibilities under HOP.

Corporate Strategies: Supporting the delivery of major corporate priorities, including Climate Action Strategy (CAS) delivery, Destination City, and Equality, Equity, Diversity and Inclusion (EEDI) initiatives. Further, the department is providing significant support to the delivery of the Operational Property Review and the Natural Environment Charities Review.

DRAFT CITY SURVEYOR'S DEPARTMENT 25/26 BUSINESS PLAN

Key Impacts

- Generated over £100m of commercial property income which is used by the organisation to deliver public value aspirations (23/24).
- The implementation of the new Integrated Facilities Management (IFM) approach has resulted in an estimated saving of £12.4m (7%) over 10 years.
- Generated £1.5m in additional new property income and achieved £4.4m in rates savings over six years, benefiting the Corporation's budgets beyond CSD. (23/24)
- Through our major programmes the department is shaping the City well into the future. This has included our work on the new London Museum site, and the new Police facilities at Salisbury Square.
- The Power Purchase Agreement solar farm generates approximately 53,500 MWh of electricity annually, meeting around 70% of the total electricity demand for CoLC**.**
- Property Projects Group manages 30-40 construction projects simultaneously, including the Sydenham Hill Social Housing Units, which completed all below-ground works in 2024/25.
- New Spitalfields Market supplied City Harvest with 295 tonnes of food, resulting in 705,000 meals for those in greatest need and preventing 205 tonnes of greenhouse gas emissions (23/24).
- The division manages the Old Bailey building and 18 courts, where 1,400 cases are heard annually and about 3,000 people use the facility on weekdays.

Finance

CSD Departmental Budget Estimate for 2025/26

	Incl City Bridge Foundation	Excl City Bridge Foundation
	£m	£m
Local Risk	35.7	32.5
Central Risk	(130.9)	(107.4)
Recharges	21.6	18.0
	(73.6)	(56.9)
Included in the above		
Rent/Service charge	(126.7)	(102.0)
Govt Grant for Old Bailey (Central Criminal Court)	(6.5)	(6.5)

What Medium Term action is required? (e.g. new legislation, services, projects, automation)	When? 2025/26	When? 2026/27	When? 2027/28	Is this Funded or Unfunded?
Recommencement Guildhall Refurbishment Project			**x**	**Unfunded**
MRI Horizon Version 11 upgrade	**x**			**Unfunded**

Priorities and plans being considered in the medium term

DRAFT CITY SURVEYOR'S DEPARTMENT 25/26 BUSINESS PLAN

Workstreams

Priority Workstream	Corporate Plan 2024-2029 Outcomes	Outcome focused Performance measures	Outcomes / Impacts
Strategic Asset Management (Operational Property Portfolio Non-Housing)			
Develop new property income, savings and capital receipts arising from the operational property portfolio (ongoing)	• Dynamic Economic Growth	Capital receipts, additional income and savings (£TBC)	Generation of income and capital to support the Medium-Term Financial Plan.
Management of • Guildhall and Walbrook Wharf complexes (ongoing) • Central Criminal Court (ongoing)	• Vibrant Thriving Destination • Flourishing Public Spaces	Adherence to Budgetary Spend Profile (within 2% of profile)	Supporting the efficient delivery of services by building occupiers.
Develop further commercial event income at Central Criminal Court.	• Providing Excellent Services • Vibrant Thriving Destination	Increase event income generation by 10% (25/26)	Assist in offsetting local risk budget expenditure.
Investment Portfolio Management			
Deliver Investment Strategy • Asset sales to support organisations wider aspirations (ongoing) • Manage City Fund and City's Estate and to achieve investment targets (ongoing) • Align assets with growth income (ongoing) • Drive the implementation of CAS policies in support of corporation objectives (ongoing) • Improve capital and management efficiency (ongoing) • Support delivery of major projects (ongoing) • Implement revised team structure to grow capacity and capability (September 25)	• Dynamic Economic Growth • Leading Sustainable Environment	Achieve Budgeted Rental Forecasts (£tbc) <u>Fund Performance (Annual)</u> Outperform MSCI over 5 -year rolling periods **Total Return CPI + 3.0% net of costs over ten-year rolling periods (City Fund)** **Total Return CPI + 4.0% net of costs over ten-year rolling periods (City's Estate)** **Total Return CPI + 4.0% net of costs over ten-year rolling periods (City Bridge Foundation)** Minimise Arrears (untreated) (under 2%) Minimise Voids (under 5%) Energy Use Intensity (EUI) (4% reduction Q4 25/26)	• Generation of rental income in line with inflation to support delivery of the Medium-Term Financial Plan. • To realise capital or reinvestment to support major projects and initiatives. • Diversification Strategy delivery (City Fund). • To contribute to the CAS by achieving Energy Performance Certificate (EPC) C ratings for directly managed properties in the portfolios by 2027 and EPC B by 2030 and net zero emissions across the investment portfolio by 2040.

DRAFT CITY SURVEYOR'S DEPARTMENT 25/26 BUSINESS PLAN

Priority Workstream	Corporate Plan 2024-2029 Outcomes	Outcome focused Performance measures	Outcomes / Impacts
Property Projects			
Delivering property construction projects across the organisation such as - • Completion of Sydenham Hill (Oct 25) • Completion of Central Criminal Court infrastructure project (Jan 25) • Completion of Eastern Base City of London Police (CoLP) (Sept 26)	• Providing Excellent Services	Capital Projects Risk Delivery Status (<30%) Capital Projects Delivery – Health and Safety (80%) Adherence to Budgetary Spend Profiles (projects) 95% - 105%	Projects are delivered on time, to budget and to the standard required and compliance with regulations and where possible meet sustainability targets.
Lead on the implementation of CAS in design guidelines • Commence soft landings projects (Jul 25) • Continued integration of the standards (Jul 26)	• Leading Sustainable Environment	Capital Projects Delivery – Site Sustainability and Waste Management (>90%)	Contribute to the CAS by achieving Energy Performance Certificate (EPC) B ratings, BREEAM (excellent ratings on refurbishments) and 60% emissions reduction by 2040.
Property Services (Operations Group)			
Embed and further develop the IFM model across the organisation (ongoing) Commence SSD proposal (Q4 25/26) Identify disparate areas of FM with a view to add into IFM (ongoing)	• Providing Excellent Services • Leading Sustainable Environment	Property Contract Scorecard Performance (greater than 80%) Net Promoter Score for end-users (greater than 8 out of 10)	Management of facilities management across the CoLC and CoLP property portfolios. Achievement of IFM savings to support the delivery of the Medium-Term Financial Plan.
Delivery of the backlog of Cyclical Works Programme (CWP) over 5-year period Commence delivery as part of year 2 of the programme addressing priorities (Q1 25/26 and then ongoing until 28/29)	• Providing Excellent Services • Leading Sustainable Environment	CWP Programme Adherence to Budgetary Spend Profile (TBC)	Significant improvements to internal/external fabric of CoLC property portfolio (excluding Housing). Reduction of maintenance and utility costs, threat of legal action by tenants or asset failure.
Corporate Security - to ensure safe and secure environments & buildings (ongoing) Standardisation of service across both in-house and outsourced security provision (Q1 25/26)	• Providing Excellent Services	95% of Security Staff on the Contract to have completed ACT Awareness training or future/ equivalent	Management of security across the CoLC and CoLP property portfolios. Customers, colleagues and building users will all experience the same level of service.

DRAFT CITY SURVEYOR'S DEPARTMENT 25/26 BUSINESS PLAN

Priority Workstream	Corporate Plan 2024-2029 Outcomes	Outcome focused Performance measures	Outcomes / Impacts
Support the delivery of the CAS (2027 and 2040) in line with the CAS pathway to net zero (2027 and 2040) - specifically decarbonisation of operational assets Include backlog CWP energy related items as a priority Optimise the usage of the project procurement framework and the integrated FM delivery as a delivery model	• Providing Excellent Services • Leading Sustainable Environment	Delivery of CAS milestones-operational estate (5% reduction) Energy Use Intensity (EUI) Kwh/m2 investment estate (4% reduction Q4 25/26)	To support the implementation of the CAS across the City's operational and investment estates by continuing to convert CAS interventions into live projects to realise carbon reduction returns.
Markets			
Ensure the efficient management of all market sites (ongoing) Waste and cleansing contract at New Spitalfields Market & Billingsgate (Q4 26)	• Providing Excellent Services • Leading Sustainable Environment	Each market's outstanding debt as a percentage of their total invoice income (1.5% or lower) Maintain a minimum Market Occupancy (95% or greater)	Efficient management of sites, supporting tenants in the delivery of their services. Support the organisation's Medium-Term Financial Plan. Reduce general waste tonnage while increasing recycling and reuse tonnage.
Cross Cutting Objectives			
Construction Workstreams: • Salisbury Square structural frame complete (Q3 25/26) • Museum of London market soft opening (Q3 25/26) • Barbican Renewal (initial phases 25/26)	• Drive economic Growth • Vibrant Thriving Destination • Flourishing Public Spaces	Support of programme milestones reported at Chamberlain's Assurance Board	Support to the Destination City programme. Supporting CoLC aspirations.
Site Disposals • London Wall West (COIL completed by 2025 dependent of DCMS, vacant possession 2027 completion targeting 2028) • Billingsgate and Smithfield (Strategy TBC) • Salisbury Square (1 Queen Victoria Street 27/28, Mayors Court 27/28 and completion of the new JCCR (TBC). Report to be submitted to Capital Buildings Board by Q1 25/26	• Drive Economic Growth	Support of programme milestones reported at Chamberlain's Assurance Board	Support to the Destination City programme. Support to the Medium-Term Financial Plan.

Enablers

People

The department comprises of 410.4 FTE

- Gender: 28% female and 72% male compared to the Corporation where 51% female and 49% male.
- Disability: 3% of CSD staff state that they have a disability compared to 4% of Corporation staff.

Your Voice Matters Staff Survey 2024

- Participation score:72%
- Engagement score: 62%

Departmental Action Plan

1. Increase the visibility of CSD Senior Management Team and wider Management Team
2. Introduction of new feedback channels
3. Provision of a clear vision of the overall direction of the department to staff

Equity, Equality, Diversity & Inclusion (EEDI)

The department's volunteer EDDI Group has identified several actions drawing from best practice and departmental demographics to deliver on the following themes:

- Recruitment and Progression,
- External Outreach,
- Internal Outreach,
- Volunteering.

EEDI Action Plan 25/26

- Further embedding inclusion and well-being across CSD. (Inclusive & Trustworthy Leadership)
- Engage with Chartered Institute of Building (CIOB) or /Royal Institute of Surveyors (RICS) to deliver an initiative to promote surveying and related professions to a diverse audience. (Inclusive & Diverse Community)
- Delivering a series of EEDI lunchtime talks for CSD staff and key stakeholders across the Corporation. (Inclusive & Diverse Community)

Risks

Risk Title	Score
SUR SMT 017 - Markets Parliamentary Bill	Red 16
CR 37 - Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets)	Red 16
SUR SMT 005 - Construction and Service Contracts Price Inflation beyond that which was anticipated or planned	Red 16
SUR SMT 006 Construction Consultancy Management	Red 16
SUR SMT 009 - Recruitment and retention of property professionals	Red 16
SUR SMT 011 - Contractor Failure	Red 16

Health & Safety (H&S)

Embed and improve our Safe365 scoring to improve H&S assurance across CSD and to continually improve and maintain high standards of H&S provision.

Property

- Maintenance and Renewal of Corporate Physical Operational Assets to ensure building safety (operation/occupation).

People

- Mitigate accidents and incidents through completion of regular risk assessments and application of lessons learnt.
- Well-being of staff through DSE and managing stress levels through individual risk assessments.

The City Surveyor's Departmental H&S Group is currently addressing the areas identified for improvement by the recent H&S 365 audit. The target is aligned to the corporate objective, of increasing the overall CSD score of 53% to more than 65% by March 2025.

Operational Property

All CSD operational properties have been assessed as utilised during December 2024.

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