



Investment Committee

Date: MONDAY, 17 FEBRUARY 2025

Time: 11.00 am

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

Members:

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

Enquiries: Ben Dunleavy
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<https://www.youtube.com/@CityofLondonCorporation/streams>

A recording of the public meeting will be available via the above link following the end of the public meeting for up to one civic year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

Whilst we endeavour to livestream all of our public meetings, this is not always possible due to technical difficulties. In these instances, if possible, a recording will be uploaded following the end of the meeting.

Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**

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

3. **MINUTES**

To approve the public minutes and non-public summary of the meeting held on 2 December 2024.

For Decision
(Pages 7 - 12)

4. **ACTION TRACKER**

To receive the Committee's public Action Tracker.

For Information
(Pages 13 - 14)

5. **FORWARD PLAN**

To receive the Committee's Forward Plan.

For Information
(Pages 15 - 16)

6. **INVESTMENT GOVERNANCE**

Report of the Town Clerk.

For Decision
(Pages 17 - 22)

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

Report of the Chamberlain.

For Decision
(Pages 23 - 26)

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

Report of the Chamberlain.

For Information
(Pages 27 - 36)

9. **DRAFT HIGH-LEVEL BUSINESS PLAN 2025/26 - CITY SURVEYOR'S DEPARTMENT**
Report of the City Surveyor.

For Decision
(Pages 37 - 42)

10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
11. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**
12. **EXCLUSION OF THE PUBLIC**

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

For Decision

Part 2 - Non-Public Agenda

13. **NON-PUBLIC MINUTES**

To approve the non-public minutes of the meeting held on 2 December 2025.

For Decision
(Pages 43 - 50)

14. **CITY FUND AND CITY'S ESTATE CASHFLOW POSITION AND CAPITAL REALISATION**

Joint Report of the Chamberlain and the City Surveyor.

For Decision
(Pages 51 - 66)

15. **CITY'S ESTATE – ANNUAL STRATEGY REPORT 2025**
Report of the City Surveyor.

For Decision
(Pages 67 - 78)

16. **CITY FUND – ANNUAL STRATEGY REPORT**
Report of the City Surveyor.

For Decision
(Pages 79 - 90)

17. **CITY'S ESTATE – INVESTMENT GRADE CORPORATE BONDS**
Report of the Chamberlain.
For Decision
(Pages 91 - 94)
18. **CITY FUND - CALCUTTA HOUSE AND 133-137 WHITECHAPEL HIGH STREET UPDATE**
Report of the City Surveyor.
For Decision
(Pages 95 - 102)
19. **DELEGATION REQUESTS**
Report of the City Surveyor.
For Decision
(Pages 103 - 106)
20. **EXTERNAL MEMBER APPOINTMENT**
Report of the Town Clerk.
For Decision
(Pages 107 - 112)
21. **PERFORMANCE MONITORING TO 30 NOVEMBER 2024: CITY'S ESTATE**
Report of the Chamberlain.
For Discussion
(Pages 113 - 128)
22. **PRI 2024 ASSESSMENT RESULTS**
Report of the Chamberlain.
For Discussion
(Pages 129 - 134)
23. **CITY'S ESTATE DASHBOARD AS AT 31 DECEMBER 2024**
Report of the Chamberlain.
For Information
(Pages 135 - 142)
24. **CITY FUND & CITY'S ESTATE RENTAL ESTIMATES**
Report of the City Surveyor.
For Information
(Pages 143 - 148)

25. **REPORT OF ACTION TAKEN**

Report of the Town Clerk.

For Information
(Pages 149 - 152)

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

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

INVESTMENT COMMITTEE Monday, 2 December 2024

Minutes of the meeting of the Investment Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Monday, 2 December 2024 at 2.00 pm

Present

Members:

Deputy Andrien Meyers (Chair)
Shahnan Bakth (Deputy Chairman)
Deputy Randall Anderson
Nicholas Bensted-Smith
Claudine Blamey (External Member)
David Brooks Wilson (External Member)
Steve Goodman OBE
Alderman Alison Gowman CBE
Deputy Madush Gupta
Deputy James Thomson CBE
Philip Woodhouse

Officers:

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

Also in attendance

Steve Turner	- Mercer
James Hordern	- Stanhope
Charles Franklin	- Stanhope
Maria Zahn	- Stanhope

1. APOLOGIES

Apologies for absence were received from Deputy Chris Hayward.

Deputy Henry Colthurst, Deputy Marianne Fredericks, and Deputy Henry Pollard observed the meeting virtually.

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

The Town Clerk informed Members of the Committee that there were no additional declarations beyond those published online.

3. **MINUTES**

The public minutes and the non-public summary of the meeting held on 3 October 2024 were approved as a correct record.

4. **ACTION TRACKER**

Members received the Committee's public Action Tracker.

5. **FORWARD PLAN**

Members received the Committee's forward plan.

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

Members considered a joint report of the Chamberlain and the City Surveyor concerning the risks overseen by the Committee.

A Member said that they felt the risk scoring for SUR SMT 006 Construction Consultancy Management was too high, as the possibility of contractors failing was part of being involved in the sector. In reply, officers acknowledged this point and undertook to review the scoring, but that it still needed to be managed as a risk and reflected within the risk register.

Members also expressed concern on the impact of the City Corporation's procurement process, particularly on where it might lead to contractors being selected simply for offering the lowest price, and where it might affect the ability to manage risk. A Member, also the Chairman of the Projects and Procurement Sub-Committee, assured the Committee that quality factors were also considered as part of the procurement approval process.

RESOLVED, that – Members:

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

7. **MID-YEAR TREASURY MANAGEMENT REVIEW 2024/25**

Members received a report of the Chamberlain concerning treasury management.

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

8. TREASURY MANAGEMENT UPDATE AS AT 31 OCTOBER 2024

Members received a report of the Chamberlain concerning treasury management.

A Member praised the report, and the work done by officers on treasury management.

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

9. CITY SURVEYOR'S BUSINESS PLAN 2024-29 - QUARTER 2 2024/25 UPDATE

Members received a report of the City Surveyor.

Officers provided assurance that the December rent demands were being produced according to the regular timelines.

A Member asked for clarification on the overspend in the departmental budget. In reply, officers said that the overspend was due to two unanticipated costs: lower than expected staff turnover, and a higher spend on reactive maintenance. The latter reflected historic under-investment in City Corporation assets, which was now being addressed through the £133 Cyclical Works Programme. There would be a carry forward to the next year's budget.

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

10. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

11. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was no other business.

12. EXCLUSION OF THE PUBLIC

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

13. NON-PUBLIC MINUTES

The non-public minutes of the meeting held on 3 October 2024 were approved as a correct record.

14. NON-PUBLIC ACTION TRACKER

Members received the Committee's non-public Action Tracker.

15. **SALISBURY SQUARE DEVELOPMENT & FUTURE POLICE ESTATE PROGRAMME FUNDING STRATEGY**

Members considered a report of the Chamberlain concerning Salisbury Square Development and the Future Police Estate Programme Funding Strategy.

16. **INDEX LINKED & FIXED INTEREST GILTS AND INVESTMENT GRADE CORPORATE BONDS: SHORT LIST OF MANAGERS**

Members considered a report of the Chamberlain concerning Index-Linked Gilts and Fixed Interest Gilts and Investment Grade Corporate Bonds.

17. **SUSTAINABILITY AND IMPACT INVESTING**

Members considered a report of the Chamberlain concerning sustainability and impact investing.

18. **CITY'S ESTATE DASHBOARD**

Members received a report of the Chamberlain concerning the City's Estate Dashboard.

19. **CITY SURVEYOR REVENUE BUDGETS (CITY FUND AND CITY'S ESTATE) – APPROVED REVISED BUDGET 2024/25 & ORIGINAL BUDGET ESTIMATES 2025/26**

Members considered a joint report of the City Surveyor and the Chamberlain.

20. **DELEGATIONS REQUEST**

Members considered the report of the City Surveyor containing several requests for delegated authority.

21. **PERFORMANCE MONITORING**

21.1 **City's Estate Quarterly Monitoring Report**

Members received the Quarterly Monitoring report for Q3 2024; this report was produced by Mercer.

21.2 **Performance Monitoring to 30 September 2024: City's Estate**

Members received a report of the Chamberlain concerning performance monitoring to 30 September 2024.

22. **CITY FUND AND CITY'S ESTATE CASHFLOW POSITION**

Members received a report of the Chamberlain concerning City Fund and City's Estate Cashflow position.

23. **SIR WILLIAM COXEN TRUST FUND PERFORMANCE MONITORING TO 30 SEPTEMBER 2024**

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

24. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 30 SEPTEMBER 2024**

Members received a report of the Chamberlain concerning performance monitoring for the Hampstead Heath Trust & Charities Pool Investment.

25. CLIMATE ACTION DASHBOARD UPDATE

Members received a report of the City Surveyor concerning climate action.

At 15.57, the Chair left the meeting, with the Deputy Chair taking the Chair for the remainder of the meeting. Members also agreed to extend the meeting under Standing Order 40.

26. CITY FUND & CITY'S ESTATE: INVESTMENT PROPERTY MONITORING

Members received a report of the City Surveyor concerning investment property monitoring.

27. CITY FUND & CITY'S ESTATE REVENUE WORKS PROGRAMME – UPDATE

Members received a report of the City Surveyor concerning the revenue works programme.

28. CITY FUND & CITY'S ESTATE RENTAL ESTIMATES

Members received a report of the City Surveyor concerning rental estimates.

29. REPORT OF ACTION TAKEN

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

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

There were no questions.

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

There was one item of other business.

The meeting ended at 4.07 pm

Chairman

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INVESTMENT COMMITTEE – Public Action Tracker – February 2025

Items from meeting held 3 October 2024		
ITEM	Action	Officer and target date
13. RECOMMENDATIONS TO RESOURCE ALLOCATION SUB-COMMITTEE	Bring a Terms of Reference paper to next meeting covering relationship with RASC and the financial thresholds	Town Clerk February 2025

*Closed items will be removed from the tracker

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	17 February 2025	27 May 2025	21 July 2025	6 October 2025	1 December 2025
Overall Investment Portfolio (Chamberlains and City Surveyors)	<p>City's Estate Dashboard (OCIO)</p> <p>City Fund & City's Estate Cashflow position and capital realisation</p>	City Surveyor's & Corporate Treasury Risk Report	City Surveyor's & Corporate Treasury Risk Report	City Surveyor's & Corporate Treasury Risk Report	City Surveyor's & Corporate Treasury Risk Report
Investment Property	<p>City Fund : Annual Update Report</p> <p>City's Estate : Annual Update Report</p> <p>City's Estate and City Fund Rental Estimates Monitoring Report – December Forecast (6 monthly report)</p>	<p>City Fund and City's Estate : Investment Property Monitoring 6 monthly report</p> <ul style="list-style-type: none"> • Vacant Accommodation Update • Rent Reviews/Lease Renewals • Arrears 	<p>City Fund, City's Estate and Strategic Property Estate – Annual Valuation report and MSCI report</p> <p>City's Estate and City Fund Rental Estimates Monitoring Report - June Forecast (6 monthly report)</p>	<p>City Fund and City's Estate : Delegated Authorities - Decisions Update report</p> <p>Delegation Requests</p>	<p>City Fund and City's Estate : Investment Property Monitoring 6 monthly report:</p> <ul style="list-style-type: none"> • Vacant Accommodation Update • Rent Reviews/Lease Renewals • Arrears
	<p>Draft New Business Plan 2025 – 2030</p> <p>Delegation Requests</p>	Delegation Requests	City Surveyor Revenue Outturn 2024-25 to include as an Appendix : Revenue Works Programme 24/25 Progress		City Surveyor Revenue Budgets (City Fund and City's Cash) – Latest Approved 2024/25 and Original Estimates 2025/26
	City Fund – Calcutta House and 133-137 Whitechapel High Street Update		<p>CSD Business Plan – 4th Quarter Progress.</p> <p>Delegation Requests</p>		City Fund & City's Estate Revenue Works Programme – 24/25 Progress Report (half yearly report)
					<p>Business Plan – 2nd Quarter Progress.</p> <p>Delegation Requests</p>

Financial Investments	Performance Monitoring report for City's Estate Financial Investments Investment Grade Corporate Bonds: Manager selection PRI 2024 Assessment Results	Performance Monitoring report for City's Estate Financial Investments Quarterly Investment report from Mercer (Investment Consultant)	Performance Monitoring report for City's Estate Financial Investments Quarterly Investment report from Mercer (Investment Consultant) Hampstead Heath Trust and Charities Pool Investment Performance Monitoring to 31 March 2025 Sir William Coxen Trust Fund Performance Monitoring to 31 March 2025	Performance Monitoring report for City's Estate Financial Investments	Performance Monitoring report for City's Estate Financial Investments Quarterly Investment report from Mercer (Investment Consultant)
Treasury Management	Treasury Management Update Annual Treasury Management Strategy Statement	Treasury Management Update	Treasury Management Update	Treasury Management Update Treasury Management Outturn 2024-25	Treasury Management Update Mid-Year Treasury Review
Town Clerk's Department	External Member Appointment			Annual Terms of Reference Review	

City of London Corporation Committee Report

Committee(s): Resource Allocation Sub-Committee – For Decision Investment Committee – For decision Finance Committee – For decision	Dated: 3 February 2025 17 February 2025 18 February 2025
Subject: Investment governance	Public report: For Decision
This proposal: <ul style="list-style-type: none"> delivers Corporate Plan 2024-29 outcomes 	All outcomes - the City Corporation's investment portfolio provides the financing behind delivery of the Corporate Plan outcomes
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	n/a
Report of:	Town Clerk
Report author:	Ben Dunleavy

Summary

Members, at meetings of the Investment and Finance Committees and the Resource Allocation Sub-Committee, have asked officers to explore possible revisions to two elements of investment governance; to move the responsibility for asset allocation (i.e. the split between property and financial investments) from the Resource Allocation Sub-Committee to the Policy and Resources Committee and to increase the thresholds for investment property transactions as set out in Standing Orders.

The Investment Committee in October 2024 also supported a revision to its composition, with the effect of changing its quota of Members co-opted from the Court to be Members appointed by the Court.

Changes to terms of reference and Standing Orders require approval by Policy and Resources Committee and the Court of Common Council.

Recommendation(s)

Members of the Resource Allocation Sub-Committee, Investment, and Finance Committees are asked to endorse the following to the Policy and Resources Committee, for onward recommendation to the Court of Common Council:

Resource Allocation Sub-Committee and Investment Committee

- Change the terms of reference for the Investment Committee, the Resource Allocation Sub-Committee and the Policy and Resources Committee as set out in Appendices 1a, 1b and 1c

Investment Committee and Finance Committee

- Change the thresholds in Standing Orders as set out at paragraphs 12 and 18, and in Appendix 2

Investment Committee only

- Revisions to the Committee's composition to increase the number of Members appointed by the Court of Common Council from six to eight, and to remove the positions co-opted by the Committee from the Court

Main Report

Background

Asset allocation

1. The Resource Allocation Sub-Committee is responsible for determining the appropriate investment proportions between property and non-property assets (item (b) in the Sub-Committee's terms of reference, attached as Appendix 1b). This decision is based on information provided by the Investment Committee (the first item in the Committee's terms of reference, attached as Appendix 1a).

Property transaction thresholds

2. The thresholds for property transactions (both investment and operational) are contained at Part 9 of the Standing Orders (SO 55, 57 and 58).
3. This report refers only to the investment property assets for City Fund and City's Estate as defined at SO 55.1 (i.e. not including investment property assets managed by City Bridge Foundation or operational property assets). However, for clarity, this Standing Order is also included in the relevant appendices.

Composition

4. The Investment Committee's composition currently provides for the Committee to co-opt up to two Members from the Court of Common Council.

Current Position

Asset allocation

5. In 2023, the Investment Committee considered the principles of investment asset allocation, and agreed that the City Corporation should adopt target strategic ranges between property and non-property assets in the City's Estate portfolio.

These recommendations were presented to, and approved by, the Resource Allocation Sub-Committee in October 2024.

6. At meetings of both the Investment Committee and the Resource Allocation Sub-Committee in October 2024, Members requested that the terms of reference for both committees should be reviewed to revise the relationship between committees and the responsibility for determining the appropriate investment proportion between assets. It was suggested at both meetings that the role of the Resource Allocation Sub-Committee should be removed, with the Policy and Resources Committee taking the decision over asset allocation, as informed by Investment Committee.

Standing Order thresholds

7. Members have also requested that officers review the thresholds for investment property transactions in the Standing Orders. The current thresholds, as set out at Appendix 2a, require Court of Common Council approval for all transactions of £5m and above.
8. Members of the Resource Allocation Sub-Committee, at their informal annual away day, noted that the current arrangements hindered the dynamic management of the investment property portfolio, especially at a time when funds were required to support the City Corporation's capital commitments.
9. Members across the Investment and Finance Committees, and Resource Allocation Sub-Committee, have echoed this opinion at meetings in Autumn 2024, and directed officers to consider revisions to the Standing Orders.

Composition

10. At the Investment Committee's October meeting, Members supported a change to the Committee's composition to increase the number of Members appointed by the Court of Common Council from six to eight, and to remove the positions co-opted by the Committee from the Court. The revised composition is set out at Appendix 1a. Members felt that this method would be a fairer way of appointing Members onto the Committee.

Options

11. Set out below are four options; further information is included in the proposals section.
12. Option 1 – The first option is to revise the terms of reference of the Committees in line with the steer provided by Members above, to amend the Investment Committee's composition, and to revise the thresholds for investment property transactions in the Standing Orders. This option is recommended.
13. Option 2 – The alternative option would be to retain the existing terms of references. However, as has been noted, the current arrangements are seen to be holding up effective and dynamic decision-making around the City Corporation's investment portfolio. Members of the Investment Committee at its meeting in October felt it would be fairer to increase the number of places on the Committee elected by the Court.

14. Further information on the above options is included in the proposals section below.

Proposals

15. Options 1 proposes to remove the responsibility of the Resource Allocation Sub-Committee for determining the appropriate investment proportions between City's Estate property and non-property investment assets, so that the Policy and Resources Committee would make this decision directly, as informed by the Investment Committee. This proposal was discussed at the Resource Allocation Sub-Committee meeting in October, where Members felt that a direct recommendation from Investment Committee to the Policy and Resources Committee would help to expedite decision-making.
16. Appendices 1a-c provide revised terms of reference for each Committee with the relevant changes. Removals are struck out, anything added is underlined.
17. Option 1 also proposes to increase the thresholds for investment property transactions in the Standing Orders, so that all transactions below £20m would be approved under delegation to officers, with transactions of £50m and over requiring approval from the Court of Common Council. All transactions between these two limits would require approval from both the Investment and Finance Committees. The City Surveyor Scheme of Delegations would also need to be amended to incorporate the amended delegation in respect of City Fund and City's Estate property acquisitions and disposals.
18. This is recommended as it would allow for more flexible and agile decision-making. Members would retain oversight of the strategic direction of the investment portfolio, but increased authorisation to officers would mean that decisions on property transactions could be made in a more timely manner.
19. Members may also wish to consider if, in the long-term, the thresholds for property transactions should be separated out from the Standing Orders into a set of guidelines, similar to the Procurement Code, with authority to amend this delegated by the Court to the Investment, Finance and Policy and Resources Committees.
20. Finally, Option 1 seeks approval of the change to the Investment Committee's composition, with the effect of removing the positions co-opted by the Committee from the Court, and increasing the number of Members appointed by the Court from six to eight.
21. As well as more open method of appointing Members onto the Committee, this would remove a further layer of governance, through negating the need for a ballot to co-opt Members at the first meeting of the civic year, and therefore aligns with aspirations of streamlining governance which sit behind the other recommendations in the report.

Corporate & Strategic Implications

Strategic implications

22. The changes will support the delivery of the Corporate Plan 2024-2029 through improving the governance around the City Corporation's investments which help provide funding for the services in the Corporate Plan and in supporting the Investment Strategy.

Financial implications

23. The changes would not require any additional spending.

Resource implications

24. The recommendations will not require any additional resource. Raising the Standing Order thresholds would also reduce the number of transaction reports written by officers for Committee approval.

Legal implications

25. The Comptroller and City Solicitor's department has been consulted, and their comments incorporated in the report.

Equalities implications

26. The proposals in the report will not have any impact (positive or negative) on people protected by existing equality legislation.

Climate implications

27. There are no climate implications.

Security implications

28. There are no security implications.

Conclusion

29. The recommended revisions to the above aspects of the governance of the City Corporation's investment assets will allow for more agile and dynamic decision-making at a time when the City Corporation is required to draw on its investment portfolio to support a range of activities, including its capital programme.

Appendices

Deletions are in the appendices are marked by being struck through; additions are underlined

- Appendix 1a - Revised terms of reference for the Investment Committee
- Appendix 1b – Revised terms of reference for the Resource Allocation Sub-Committee
- Appendix 1c - Revised terms of reference for the Policy and Resources Committee
- Appendix 2 – Revisions to Standing Orders

Background Papers

Ben Dunleavy

Governance and Member Services Manager

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City of London Corporation Committee Report

Committee(s): Investment Committee of the City Bridge Foundation Board (For Decision) Investment Committee (For Decision) Finance Committee* (For Information) Audit & Risk Management (For Information)	Dated: 13 February 2025 17 February 2025 18 February 2025 12 May 2025
Subject: Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) 2025/26	Public report: For Decision
This proposal: <ul style="list-style-type: none"> • delivers Corporate Plan 2024-29 outcomes • provides statutory duties • provides business enabling functions 	Diverse Engaged Communities; Dynamic Economic Growth; Leading Sustainable Environment; Vibrant Thriving Destination; Providing Excellent Services; and Flourishing Public Spaces
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of:	The Chamberlain
Report author:	Kate Limna

** This report is for information for the Finance Committee. The Treasury Management Strategy Statement and Annual Investment Strategy 2025/26 is included as an appendix to the City Fund 2025/26 Budget report, which will be for approval.*

Summary

The attached document sets out the Corporation’s Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) (TMSS) for 2025/26. The Treasury Management Strategy and Annual Investment Statement (relating to Treasury Management) for 2025/26 has been updated taking account of the latest information concerning the organisation’s capital plans and external factors, such as the prospects for interest rates.

The document includes various Treasury and Prudential Indicators required to be set for the City Fund to ensure that the Corporation’s capital investment plans are affordable, prudent and sustainable and to help the organisation identify and control the risks around its treasury management activity.

As has historically been the case, this report covers the treasury management activity carried out across the organisation, including City’s Estate (previously City’s Cash) and City Bridge Foundation (previously Bridge House Estates). As City’s Estate borrowing is not covered by the regulatory framework established for local authorities, the City has adopted its own formal policy in 2018/19 via the City’s Estate Borrowing Policy Statement which is included in the TMSS at Appendix 8.

The main proposals within the document are incorporated within the separate report entitled '*City Fund 2025/26 Budget*' being considered by the Finance Committee on 18 February 2025 and by the Court of Common Council on 6 March 2025.

Responsibility for approving the Corporation's borrowing plans remains with the Court of Common Council, not the Investment Committee.

The Investment Committee of the City Bridge Foundation Board is responsible for approving the TMSS on behalf of City Bridge Foundation. A Supplemental Royal Charter was approved in June 2023, with various new powers being adopted. These included the power to 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. However, there are no current plans for borrowing to take place in the short to medium term, and thus the most relevant section for the City Bridge Foundation Board is section 5, of the Annual Investment Strategy (for Treasury Management), which sets out how surplus cash balances will be managed in the forthcoming year (it does not apply to the Charity's longer term investments which are subject to City Bridge Foundation's Investment Strategy Statement). By adopting in the Corporation's treasury management policies, the City Bridge Foundation Board can ensure that treasury risks associated with the Charity's surplus cash balances are managed efficiently and effectively.

The key areas to highlight are:

Updates to Accounting Requirements impacting the 2025/26 Treasury Management Strategy

- ***International Financial Reporting Standard (IFRS) 9: Financial Instruments - Local Authority Statutory Override (see Appendix pages 23-24)***

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 (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 (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 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.

- ***International Financial Reporting Standard (IFRS) 16: Leases (see Appendix page 13 & Appendix 2 on page 28)***

IFRS16 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 the capital forecasts, with the *operational boundary* and *authorised limit* debt ceilings set at a level to accommodate these.

Capital financing and borrowing

- The Corporation's capital plans create a borrowing requirement across both the City Fund and City's Estate. City's Estate partially addressed this borrowing requirement through the issuance of £450m market debt in recent years. In addition, Investment Committee have approved investment strategies for both City Fund and City's Estate, including risk and return measures to secure the differing rates of return required for each fund. For City's Estate asset allocation target ranges have been set for the allocation between property and financial investments. Both the City Fund and City's Estate capital programme over the next few years to 2028/29 will be supported by Investment Property disposals (as recommended on a separate report on today's agenda), whilst City's Estate will also be supported by Financial Investment liquidations (n.b. these are not held in Treasury Management portfolio) in the short term, pending a disposal programme over the 3-5 year horizon.
- The City Fund borrowing requirement is expected to increase to £226.8m during 2024/25 where it will remain until 2028/29 predicated by proposed Investment Property disposals. Therefore, for the City Fund, there is no immediate requirement to take on external borrowing as it is expected that the City Fund can also continue to temporarily use its own cash balances (internal borrowing) for the foreseeable future. Any new external borrowing would serve to increase cash balances and create additional revenue pressures through a "cost of carry", as the rate payable on external borrowing is currently higher than the interest receivable from treasury management investment activity. Therefore, the proposed treasury management strategy recommends that the City Fund borrowing requirement is managed through the prudent use of internal resources during 2025/26, as supported by the proposed Investment property disposals.
- The benefits of this strategy (lower financing costs and reduced counterparty risk) need to be carefully evaluated against the risk of incurring higher borrowing costs in future. Interest rates peaked at 5.25% in August 2023 where they remained until 1 August 2024 with a reduction to 5.00%, and a further reduction to 4.75% in November 2024. MUFG Corporate Markets (previously known as LINK), the City's treasury investment consultants, are currently forecasting a 25bps reduction to 4.50% in Q1 of 2025, with further quarterly reductions of 25bps reaching 3.75% by March 2026, with no further changes until December 2026 where it assumed to reach 3.50% and plateau. However, there remains uncertainty surrounding the forecast, particularly following the impact on the UK from the Government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact of Donald Trump's US Presidential Election victory and uncertainties around US domestic and foreign policy, and the ongoing geo-political risks in Europe, the Middle East and Asia.
- Interest rates are monitored daily and should circumstances change, the Chamberlain will maintain the flexibility to meet some or all of the City Fund borrowing requirement through external borrowing. As such the operational boundary and authorised limit for

external debt (Appendix 2 of the TMSS) have been revised to enable the Corporation to secure external debt to meet some or all of the borrowing requirement.

- Local authorities are legally required to set aside a prudent amount for the provision of the repayment of prudential borrowing from revenue each year. It should be noted that this requirement applies for all unfunded City Fund capital expenditure (i.e. spending that is not immediately financed through capital grants, capital receipts etc.) not just for actual external borrowing. The Minimum Revenue Provision (MRP) Policy Statement for 2025/26 sets out this policy for the forthcoming year and is included at Appendix 2 in the TMSS.

Investments

- As at 31 December 2024, the Corporation has “cash” balances totalling £1,121.3m the majority of which is invested in money market funds and fixed income instruments. Cash is expected to decrease in 2025/26 as the Corporation progresses spending on the major projects programme. Most of the treasury cash balances pertain to the City Fund and comprise of liabilities on City Fund’s balance sheet (cash that needs to be paid out to third parties or used for a specific purpose at some point in the future) together with cash backed reserves.
- The Corporation currently manages significant short term investment cash balances. Although these balances are expected to decline in the next few years as the capital programme progresses, the programme across City’s Estate will be supported by Financial Investment liquidations (those not held in Treasury) and Investment property disposals, with the City Fund programme only having available the support of property disposals and lease premiums. Under these circumstances, a level of core cash will persist for the next ten years based on current financial plans. One of the most acute challenges within the treasury management strategy is preventing the gradual erosion of the real value of these long-term cash balances from the effects of inflation.
- It is proposed that the City continues to be prepared to lend monies for up to three years’ duration based on risk assessments for each opportunity undertaken by Treasury Officers and discussed with the Chamberlain. No changes to the Corporation’s creditworthiness policy (as set out in section 5 of the TMSS) are proposed. Officers judge that the current criteria allow the Corporation to achieve adequate diversification amongst a range of high-quality counterparties.
- The main changes to the document from last year’s version are highlighted in yellow and underlined.

Recommendations

It is recommended that the **Investment Committee** reviews and approves the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 and submits it to the Finance Committee and the Court of Common Council as part of the City Fund 2025/26 Budget Report for formal adoption.

It is recommended that the **Investment Committee of the City Bridge Foundation Board** reviews and approves the Treasury Management Strategy Statement and Annual Investment Strategy for 2025/26 on behalf of **City Bridge Foundation**.

Appendix - Treasury Management Strategy Statement and Annual Investment Strategy (relating Treasury Management) 2025/26 (*for Finance Committee this appendix is within the City Fund 2025/26 Budget report*).

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City of London Corporation Committee Report

Committee(s): Investment Committee – For Information	Dated: 17 February 2025
Subject: Treasury Management Update as at 31 December 2024	Public report: For Information
This proposal: <ul style="list-style-type: none"> • delivers Corporate Plan 2024-29 outcomes • provides statutory duties • provides business enabling functions 	Diverse Engaged Communities; Dynamic Economic Growth; Leading Sustainable Environment; Vibrant Thriving Destination; Providing Excellent Services; and Flourishing Public Spaces
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of:	The Chamberlain
Report author:	Adam Buckley, Senior Accountant - Treasury

Summary

This report provides a summary of the City of London Corporation’s treasury management portfolio (investments) as at 31 December 2024. The report includes an update on the current asset allocation of the short-term investment portfolio and its performance. A monthly investment review report produced by the Corporation’s treasury management consultants, MUFG Corporate Markets (previously called Link Treasury Services), is included at Appendix 2.

The treasury position was last reviewed by the Investment Committee at the meeting on 2 December 2024, when they received a report outlining the treasury position as at 31 October 2024.

The treasury management investment portfolio had a market value of £1,121.3m as at 31 December 2024, which is a decrease of £26.3m from the balance previously reported as at as at 31 October 2024 (£1,147.6m).

The Consumer Prices Index (CPI) rose by 2.5% in the 12 months to December 2024, down from 2.6% in the 12 months to November 2024. The Bank of England’s Monetary Policy Committee (MPC) voted to maintain interest rates at 4.75% at its meeting in December 2024 as expected, after previously voting to cut interest rates

by 25bps at the November MPC. The market expectation is for a further 25bps rate cut in Q1 of 2025, reaching 4.50% by March 2025. However, this sentiment remains volatile and may change in the near-term on the back of fresh central bank events, as well as both domestic and international data releases.

The increase in rates throughout 2023/24 were maintained at the start of 2024/25, allowing the Corporation to obtain higher yields across its asset allocations, however interest income has begun to decrease and officers expect this to continue over 2024/25 if the MPC's restrictive policy stance continues to loosen.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

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

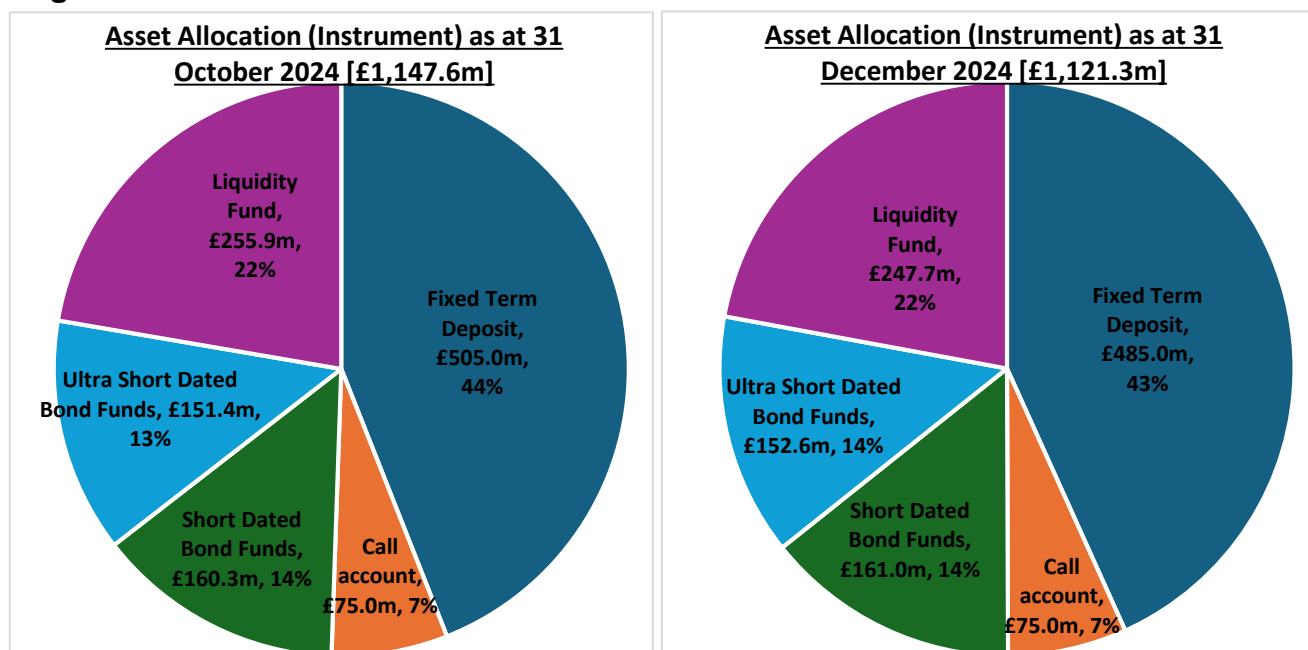
Current Position

1. The treasury management investment portfolio had a market value of £1,121.3m as at 31 December 2024, which is a decrease of £26.3m from the balance previously reported as at as at 31 October 2024 (£1,147.6m). This decrease is principally due to:-
 - net business rates income in the reporting period of £43.1m;
 - Police force settlements of £12.9m;
 - receipt from the sale of The Coach Horses Public House (5 Bruton St), Crowndean House (26 Bruton St), & 7/7a Grafton St totalling £6.3m; offset by
 - transfer of proceeds from sale of 59 ½ Southwark Street to *BlackRock ICS Sterling Liquidity Fund* ("liquidity reserve") totalling £13.5m;
 - Museum of London drawdown payments at £14.7m; and
 - expenditure on Major Projects of £12.7m.
2. Members should note that during November 2024 the proceeds from the sale of 59 ½ Southwark Street totalling £13.5m were invested in the **BlackRock ICS Sterling Liquidity Fund** (a money market fund (MMF)) to be drawn down as required as the receipt is ring-fenced to support the City's Major Projects programme. This MMF sits outside of the remit of Treasury, and is held as part of City's Estate Financial Investment Portfolio.

Asset Allocation

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

Figure 1: Asset allocation as at 31 October 2024 and 31 December 2024

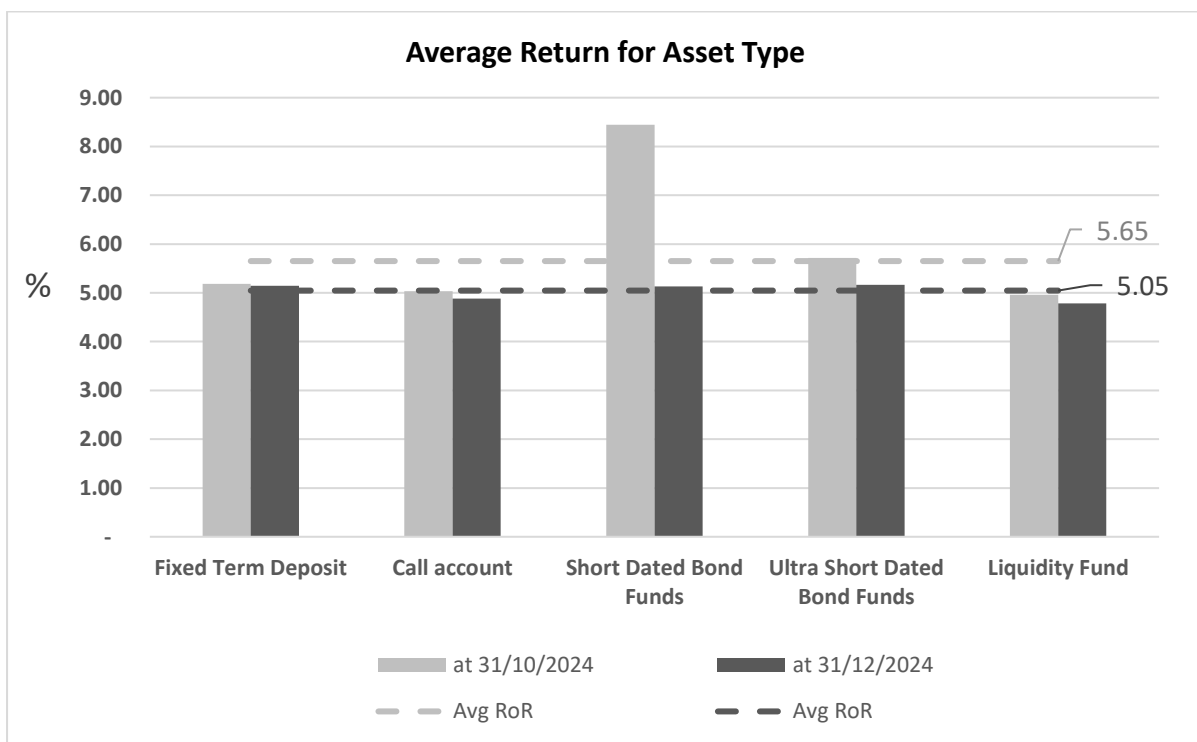


5. As at 31 December 2024, most of the Corporation's cash balances are invested on a short term (under one year) basis with eligible banks, with the highest allocation via fixed term deposits (43%); a decrease of £20m from the previous reporting date, in line with the reduction of the portfolio total. Liquidity funds make up around 22% of the portfolio; these balances are very liquid and can be accessed on the day. Notice accounts make up 7% of the portfolio, with no change from the previous reporting date.
6. The ultra-short dated bond funds account for 14% of the treasury portfolio. These instruments are also very liquid (funds can be redeemed with two to three days' notice) but their market value is more volatile than liquidity funds. Ultra-short dated bond funds are suitable for surplus cash balances with an investment horizon of six months or more. The remaining portion of the portfolio (14%) continues to be invested in short dated bond funds. These funds are invested in investment grade credit instruments and currently have a duration (weighted average time to maturity) of around 3 years. The value of the short dated bond funds can be volatile in the short term and should only be used for surplus cash balances with an investment horizon of at least three years (In light of this volatility, the Treasury Management Strategy Statement (TMSS) was amended with effect from 1 April

2022, so that only City Fund would maintain exposure to the short dated bond funds).

7. A summary of the average return by asset type, as well as the overall average rate of return (RoR), as at 31 October 2024 and 31 December 2024 is shown overleaf in Figure 2. Further analysis on the composition of the portfolio as at 31 December 2024 is provided in the Monthly Investment Report at Appendix 2, which demonstrates the average rate of return for the portfolio as at 31 December 2024 is 5.05 % (31 October 2024: 5.65%). A summary of counterparty exposure is also included at Appendix 1, as well as an *Economic, Social, & Governance (ESG)* checklist of Treasury Management Counterparties (excluding local authorities) at Appendix 3.

Figure 2: Average Return for Asset Type as at 31 October 2024 and 31 December 2024

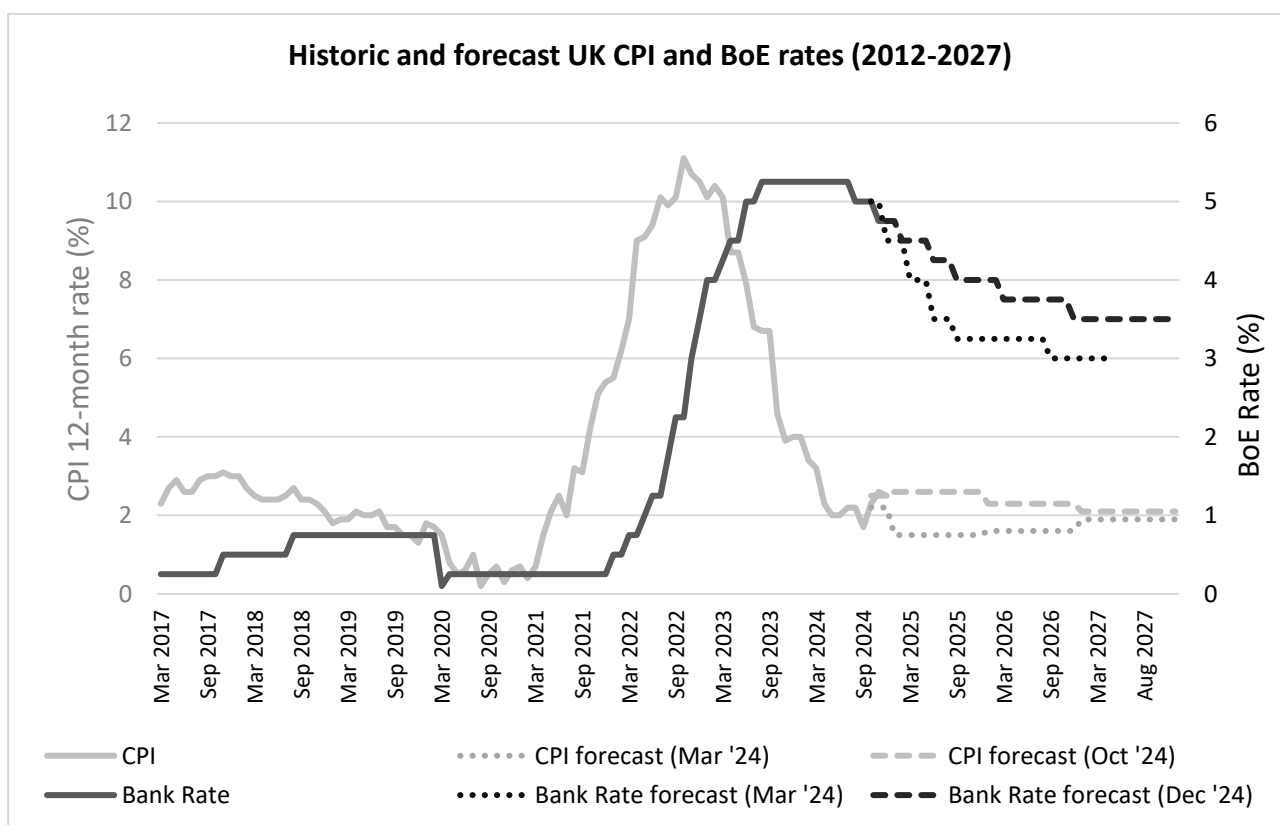


Performance

8. The Consumer Prices Index (CPI) rose by 2.5% in the 12 months to December 2024, down from 2.6% in the 12 months to November, and well below its peak of 11.1% in October 2022.
9. The Bank of England’s Monetary Policy Committee (MPC) kept interest rates unchanged at 4.75% at its December meeting as expected, though three members voted for a cut citing concerns over the economic outlook. Governor Bailey signalled the Bank remained ready to cut interest rates in the future but sounded a note of caution, stating "*we think a gradual approach to future interest rate cuts remains right, but with heightened uncertainty in the economy, we cannot commit to when or by how much we will cut rates in the coming year*". The meeting also saw the Bank lower its Q4 growth forecast from 0.3% to 0%, and regarding higher than expected private sector wage increases, the Bank merely noted that this "*tends to be volatile*".

10. Looking ahead, market sentiment towards future policy reductions has generally tempered in the early stages of 2025, however on the back of weaker than expected December inflation figures and the tepid November growth data, pricing for an initial cut to 4.50% has moved back into Q1 from Q2, with prospects of a second cut expected in Q3 of 2025. The likelihood for a third cut late in 2025 has increased but is not yet fully priced in.
11. MUFG Corporate Markets (previously called Link), our treasury management consultants, are forecasting bank rate to decline to 4.50% by March 2025, 4.25% by June 2025, 4.00% by September 2025, and 3.75% by March 2026, where it is forecast to remain until a further cut to 3.50% at the end of 2026 where it will plateau. However, this sentiment remains volatile and may change in the near-term on the back of fresh central bank events, as well as both domestic and international data release.
12. A graph showing the historic and forecast UK CPI 12-month rate (based on the Office for Budget Responsibility (OBR) 'Economic and fiscal outlook' March and October 2024) and Bank of England base rate (forecast from MUFG Corporate Markets) from 2017 to 2027 is shown below in Figure 3.

Figure 3: UK CPI 12-month rate / Bank of England base rate

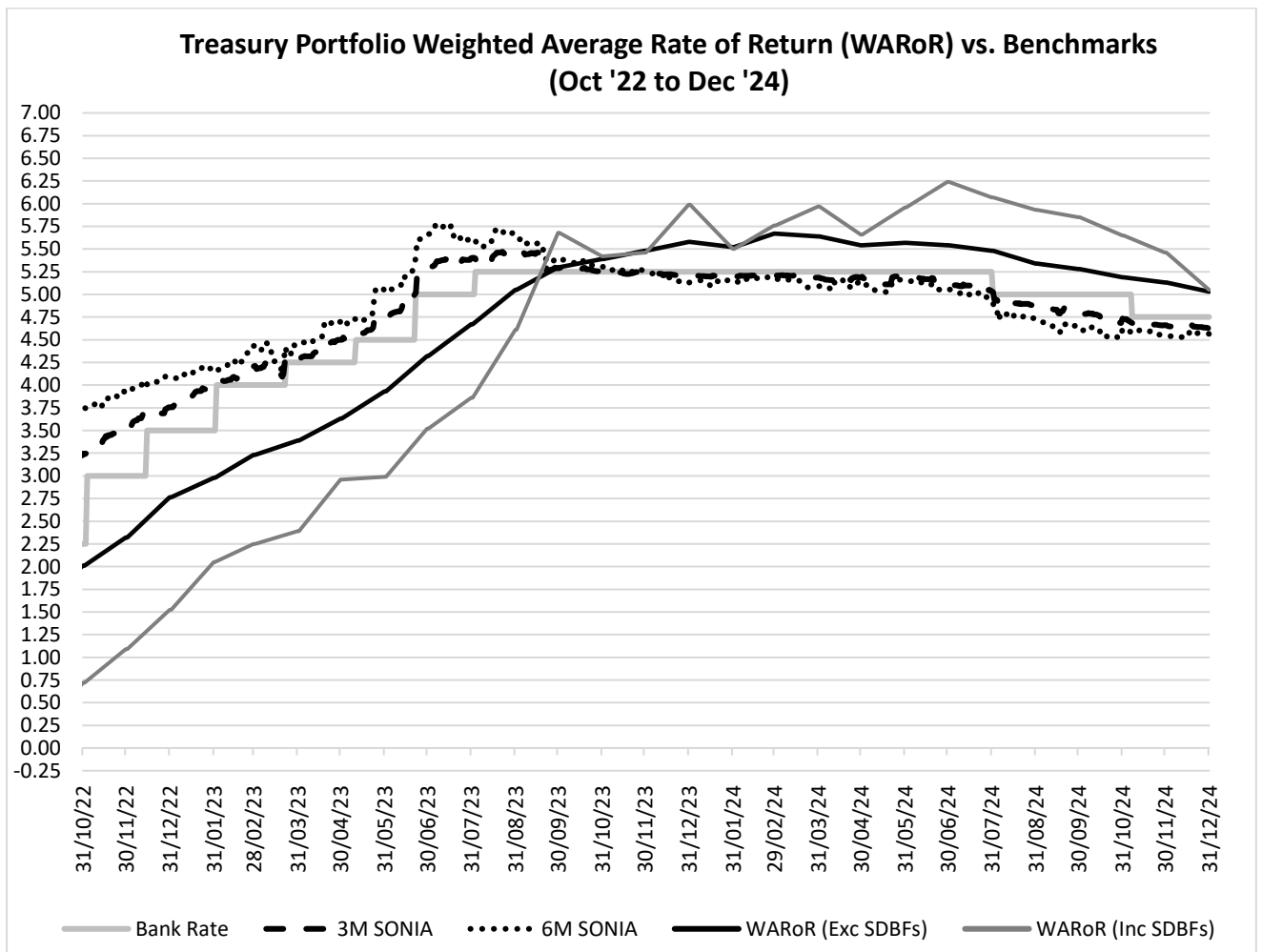


13. As the Bank Rate is the primary determinant of short-term interest rates in the UK, these changes impact the treasury investment portfolio, broadly in two ways:

- a. As yields decrease, the capital value of the Corporation's bond fund investments will usually increase (i.e. when interest rates increase, bond prices increase and vice versa). These investments are exposed to interest rate risk which the Corporation manages by ensuring the allocations are consistent with a longer-term investment horizon for this minority portion of the portfolio.
- b. For the majority of the portfolio – which is invested in short term money market instruments – the increase in interest rates over the past 2 years has meant that the Corporation has benefitted from materially enhanced returns on new deposits and via the shorter term liquidity funds. However, the recent and forecast decrease in interest rates will result in reduced future returns from short term money market instruments.

14. These effects can be seen in the weighted average rate of return (WARoR) for the portfolio over the past 2 years and is shown in figure 4 below. In this chart, the two WARoR lines represent the level of returns achieved by the Corporation while the “dashed”, and solid Bank Rate, lines represent suitable performance comparators.

Figure 4: Treasury Portfolio Weighted Average Rate of Return vs. Benchmarks



15. Post the exit of the then Prime Minister (Liz Truss) in October 2022, Sterling money market rates continued to trend upwards in line with expected Bank Rate increases as the MPC moved to try and ease inflation as shown in Figure 4 for 3-month and 6-month Sterling Overnight Index Average Rate (SONIA). The Bank Rate reached a peak of 5.25% at the start of August 2023, and sterling money market rates began to decrease in the second half of 2023 as the market priced in a number of Bank Rate cuts over the next 12 months.
16. Money market rates steadied in the first half of 2024 as expectations on future price cuts were pushed back further, and have now begun to decrease as the Bank of England initiated the loosening cycle, with the MPC's decision to cut interest rates for the first time since March 2020, in August 2024 by 0.25% to 5.00%, and further cut to 4.75% in November 2024 following the Autumn Statement and US Presidential Election.
17. Returns on the Corporation's short term investment portfolio excluding short dated funds and are now trending downwards as the restrictive monetary policy is eased, as higher yielding deposits mature and are replaced with new investments. This is visible in the weighted average return excluding short dated bond funds above (which omits the two longer-term short dated bond fund investments in the portfolio). Officers expect this trend to continue over the rest of 2024/25, as maturing deposits are likely to be reinvested at rates below those achieved in 2023/24, reflecting the current market expectation that the MPC will look to cut bank rate again before the end of 2024/25 .
18. As month-to-month returns from the ultra-short and short dated bond fund investments can be volatile, for these instruments, officers have used the trailing 12-month total return to 31 December 2024 in calculating the portfolio returns displayed in figure 4 (i.e. the WARoR (Weighted Average Rate of Return)). Returns on these investments faced somewhat of a reality check at the start of 2024 following their historic end to 2023, as bond yields rose in Q1 2024 (meaning prices fell) as the likelihood of interest rate cuts as soon as March were pushed out until later in the year. The upward trend in yields continued in April 2024, driven by stronger than expected inflation data, albeit this volatility subsided in May 2024, and yields continued to soften in June and July as inflationary pressures eased as markets reacted to evolving monetary policies and major election results.
19. However, volatility surged again at the start of August amidst fears of economic weakness and the biggest one day fall on the Japanese stock market, albeit this was short-lived. With stronger economic data pointing much more towards a "soft landing" and inflation cooling bond markets calmed and stock markets rallied hard, however bond volatility picked up again in October with policy announcements including the new government unveiling net fiscal loosening in their first budget (i.e. an expansionary budget with spending going up by more than taxes).
20. Overall, fixed income markets experienced considerable volatility in the last quarter of 2024, primarily driven by geopolitical tensions, central bank decisions, and fluctuating interest rates. Notably, the period was marked by notable sell-offs in major government bond markets, with various factors influencing investor sentiment across the globe. The UK, where the market perceived a low growth economy, coupled with a big fiscal deficit, was one of the worst performing bond markets.

21. To aid an effective assessment of performance, table 1 shows the historical return of the ultra-short and short dated bond fund investments on a total return basis over various time horizons under one year.

Table 1: Bond Fund Total Returns as at 31 December 2024

Fund	1 Month Return (30/11/2024 to 31/12/2024)	2 Month Return (31/10/2024 to 31/12/2024)	12 Month Return (31/12/2023 to 31/12/2024)
Federated Hermes Sterling Cash Plus Fund	0.37%	0.76%	5.18%
Aberdeen Standard Liquidity Fund Ultra Short Duration Sterling	0.41%	0.82%	5.42%
Payden Sterling Reserve Fund	0.28%	0.84%	4.95%
L&G Short Dated Sterling Corporate Bond Index Fund	0.28%	1.09%	4.88%
Royal London Investment Grade Short Dated Credit Fund	0.33%	-0.22%	5.38%

22. The most conservative fund (Federated) is listed first in table 1 and the longer-term investments (L&G and Royal London) are listed at the bottom to the table.

23. As noted above, the capital values of the bond funds – particularly the short-dated bond funds – can be volatile over the short term but they are expected to produce higher returns over the longer term. The Corporation deliberately allocates a small portion of the overall portfolio to these investments - an amount that can sustainably be invested over the medium term.

24. It should also be noted that currently fluctuations in the market value of investments do not impact the City Fund's revenue position owing to the existence of the IFRS 9 statutory override, which was extended until 31 March 2025, which English local authorities are required to implement, and which requires unrealised capital (fair value) gains and losses to be charged to an unusable reserve on the balance sheet rather than reported via income and expenditure.

25. However, pending response to the current *'Local Government Finance Settlement'* consultation, from 1 April 2025, if the statutory override ceases, fluctuations in the capital (fair value) will need 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 (see paragraphs 27 – 29 below) - 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.

26. As interest rates rise the bond managers are generally able to reinvest the maturing bonds at a higher yield, thus raising the level of income in the portfolio,

that is, income, rather than capital gains, has generally made up a greater part of the total return generated by these funds. The income (distribution) yield on the bond funds with Royal London and L&G are 4.94% and 4.3% respectively as at the end of December 2024. The interest from these investments is distributed quarterly for Royal London and half yearly for L&G.

Interest on average cash balances

27. A summary of the interest on *average cash balances* (i.e. the returns on the treasury management investment portfolio) for the 2024/25 financial year (1 April 2024 to 31 March 2025) as applicable to City Fund and City's Estate is shown in Table 2 below.

Table 2: Interest on Cash Balances as at 31 December 2024

	2024/25 Original Budget	2024/25 Forecast Outturn	2024/25 Better / (Worse)
	£'000	£'000	£'000
City Fund	28,900	45,392	16,492
City's Estate	(770)	1,508	2,278
Total City Fund & City's Estate Interest on average cash Balances	28,130	46,900	18,770

28. Income from interest on *average cash balances* is currently forecast to exceed budget by £18.8m, principally due to the increase in the level of average cash balances held, and hence available for investment, and upon which interest is applied, compared to that anticipated when the budget was set in November 2023. This is largely as a result of the re-phasing of capital and major project expenditure – as noted at paragraph 28 below the cashflow forecast is currently being finalised post the Resource Allocation Sub Committee (RASC) held the end of October 2024.

29. It should be noted that the forecast currently assumes the average split of cash held amongst funds to December 2024 will continue for the rest of the year.

Cash Flow Forecast

30. The City Fund's medium-term cash flow forecast is currently being finalised along with all the capital projects, including the major projects, to develop a detailed forecast and appropriate funding strategy - there is a separate paper on today's agenda regarding this '*City Fund and City's Estate Cashflow position and disposal strategy*'.

Conclusion

31. This report has provided a summary of the City of London Corporation's treasury management portfolio (investments) as at 31 December 2024. Cash is invested across a range of counterparties and instruments in accordance with the Corporation's current Treasury Management Strategy Statement 2024/25.

32. Since the Investment Committee last reviewed the treasury position as at 31 October 2024, the Bank of England's Monetary Policy Committee (MPC) voted to maintain interest rates at 4.75% at its December meeting, having previously voted to cut interest rates from 5.00% to 4.75% at its November meeting. The markets view is that a further rate cut will occur over the remainder of 2024/25, with MUFG Corporate Markets, our investment consultants, currently forecasting a decrease to 4.50% by March 2025.
33. The increase in sterling money market rates in 2023 allowed the Corporation to obtain higher yields, though officers expect the current rate of return on the portfolio to continue to decrease over 2024/25, reflecting the market expectation that the MPC's previous restrictive policy stance continues to loosen over the remainder of 2024/25.
34. The 12 month returns on the Corporation's Short dated bond fund investments remain positive, despite a number of periods of volatility. These investments are appropriate for surplus cash balances that can be invested sustainably over the medium term given the expectation for higher returns over this time horizon, and they continue to generate strong income returns. The interest from these investments is distributed, quarterly for RLAM and twice yearly for L&G.

Appendices

- Appendix 1 – Counterparty Exposure as at 31 December 2024
- Appendix 2: Monthly Investment Analysis Review December 2024
- Appendix 3: Treasury Management Counterparties 2024/25: Economic, Social & Governance (ESG) Checklist

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City of London Corporation Committee Report

Committee(s)	Dated:
Markets Board Resource Allocation Sub (Policy and Resources) Committee Investment Committee	22 January 2025 3 February 2025 17 February 2025
Subject: Draft High-Level Business Plan 2025/26 – City Surveyor’s Department	Public report: For Decision
This proposal: <ul style="list-style-type: none"> • Delivers Corporate Plan 2024-29 outcomes • Provides business enabling functions 	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth, Vibrant Thriving Destination.
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of:	The City Surveyor and Executive Director of Property (CS.329/24)
Report author: Anna Flashman & John Galvin - City Surveyor’s Department	John Galvin/Anna Flashman City Surveyor’s Department

Summary

This report presents for approval the high-level Business Plan for the City Surveyor’s Department for 2025/26. Members should note that the Business Plan now includes the Markets division, which had a separate plan in 2024/25.

Recommendation

Members are asked to:

- i. Note the factors taken into consideration in compiling the City Surveyor’s Departmental Business Plan; and
- ii. Approve, subject to the incorporation of any changes sought by this Committee, the departmental Business Plan 2025/26.

Main Report

Background

1. As part of the new framework for corporate and business planning, departments were asked to produce standardised high-level, Business Plans for the first time in 2017 for the 2018/19 year. Members welcomed these high-level plans for being brief, concise, focused and consistent statements of the key ambitions and objectives for every department.
2. Since 2025/26, the high-level Business Plan has evolved with a new template. They are now slightly longer than the 2-sided version of 2017, but still offer concise insights into the department's operations.
3. High-level Business Plans for Financial Year 2025/26 align to our Corporate Plan 2024-2029. As a high-level plan, this document does not capture the granularity of departmental work but gives the overall picture of activity, key impacts, trends where applicable and direction of travel.

Draft final high-level Business Plan for 2025/26

4. This report presents, at Appendix 1, the draft final high-level Business Plan for 2025/26 for the City Surveyor's Department.
5. The Markets Division merged with the City Surveyor's Department in November 2023, and a new integrated plan has been produced for 2025/26.
6. Feedback has been critical to the development of this plan:
 - a) Members – The Business Plan has been circulated to the Chairs and Deputy Chairs of Investment Committee, Resource Allocation Sub (Policy and Resources) Committee and Markets Board to gain their feedback and input.
 - b) Staff – In November, the City Surveyor hosted an 'all department' event dedicated to the proposed business plan, and a draft of the plan was subsequently sent to all staff. Feedback was sought as such that this could be integrated into the plan, or responded to, as appropriate. The business plan and departmental priorities were discussed in detail with the departmental Senior Management Team (SMT) through a series of meetings. Finally, the plan formed part of the formal agenda at the department's Equity, Equalities, Diversity, and Inclusion Group in September and October, allowing the forum to consider the people and equalities elements within the plan and agree its key priorities for 2025/26.
 - c) Customers – In 2024, the department conducted several surveys including a comprehensive "voice of the customer" survey for Investment and Corporate Property occupiers, as well as the Market tenants survey and Property Projects Group post-project reviews. This feedback has helped shape the department's priority areas for 2025/26.

- d) Corporate stakeholders – The department is a key member of the organisation’s Strategic Planning Group. This forum considers all the organisation’s business plans to ensure cross-cutting activities are appropriately reflected, and opportunities to break down organisational silos are grasped and to provide oversight and scrutiny. Feedback from this group has been embedded within the department’s business plan. This draft Business Plan was approved at the Town Clerk’s Senior Leadership Team meeting on 10 December 2024.

Performance Measurement:

7. The department’s key performance indicators (KPIs) are contained on page 3 - 5 of Appendix 1. The department’s 2025/26 KPIs have been created to track and monitor progress in delivering its key workstreams. Members will note that the majority of these measures are aligned with those reported in prior years, allowing for year-on-year comparisons.
8. The department reports on a sub-set of these measures to each of Investment Committee, Resource Allocation Sub (Policy and Resources) Committee and Markets Board. Measures reported to these that are tailored to each Committee’s terms of reference. The department’s business plan update is reported alongside our risk register. This is such that progress towards, and those factors that could prevent the achievement of our objectives can be assessed.

Measuring Impact and Value for Money (VfM)

9. The Business Plan demonstrates the department’s commitment to delivering value for money while making a positive impact on the community, the environment and the wider City of London Corporation (Appendix 1 page 5). The City Surveyor and the SMT regularly evaluate departmental performance to ensure continuous improvement of services, and overall performance and refine strategies to maintain agility and responsiveness to the evolving needs of stakeholders.

Departmental Operational Property Assets Utilisation Assessment Findings

10. Aligned with the requirements of Standing Order 56, the department undertook a utilisation assessment of those corporate spaces that the department has been using. Most of the space occupied is at the Guildhall, with a smaller operational provision at the Central Criminal Court and the 3 wholesale markets. The City Surveyor’s Guildhall space assessment was undertaken in December 2024.
11. The current average utilisation for the department was deemed appropriate, with no surplus space identified. This review highlighted both challenges and opportunities for improving workplace efficiency and alignment with corporate standards.

12. Although CSD's current utilisation rate of 53% is below the 60% target, this reflects the nature of property activities and the department is operating within a workspace allocation of 6.67 m² per person, which is significantly lower than the target of 10 m² per person. This indicates a more compact yet potentially efficient use of space, albeit with scope for some improved utilisation.

Recommendations to improve utilisation

13. Consider consolidation of CSD's operations to support the goal of collaboration and enhancing operational effectiveness.

14. Continue to pursue optimal space usage without requiring additional floorspace. By maintaining the current Net Internal Area (NIA) of 1,167 m², aligning with the target space allocation of 10 m² per person, and striving to achieve a peak utilisation rate of 60%, the department can balance efficiency with emerging workplace trends.

15. These measures aim to enhance workplace flexibility and collaboration, aligning with corporate objectives and adapting to post-pandemic office trends.

16. The department will be reviewing all its assets again in December 2025.

Corporate & Strategic Implications

17. The City Surveyor's Department is dedicated to supporting and advancing the objectives outlined in the Corporate Plan.

18. Our collective aspirations for the medium-term are reflected within the departmental business plan and each workstream maps to one or more of the six strategic outcomes and is supported by key performance measures.

19. This department plays a crucial role in realising the City's vision by executing major construction initiatives, such as Salisbury Square, London Museum, and Barbican Renewal, while also preserving our heritage estate for the benefit of all Londoners and generating substantial revenue from both investment and operational property portfolios, which underpins all our activities.

20. The department actively collaborates with corporate leaders to ensure the effective implementation of our strategic priorities, particularly in relation to Destination City, the Climate Action Strategy, Equity, Equality, Diversity, and Inclusion (EEDI) initiatives and the City's Corporate Property Asset Management Strategy for 2024-29. Further, the department is providing significant support to the delivery of the Operational Property Review and the Natural Environment Charities Review.

Security implications

21. The business plan highlights the department's management of security across the City of London Corporation (CoLC) and the City of London Police property portfolios.

Financial implications

22. The financial information presented within the Business Plan reflects the departmental rather than the Committee budget.

23. There are no financial implications arising directly from this report and this plan aligns with the 2025/26 budget estimates and estimated resource allocations. Whilst the department's local risk position is challenging and inflation costs rising it continues to generate significant income and capital receipts to support the CoLC's financial sustainability.

Public sector equality duty

24. Where appropriate the department will complete an Equality Impact Assessment (EQIA) for upcoming changes.

Equalities implication

25. The department has an active volunteer EEDI Group. This is seeking to enhance these areas within the department. The business plan highlights the areas of focus of this Group for 2025/26.

Resourcing implications

26. There are no resourcing implications arising directly from this report.

27. The department has carefully considered the balance of resources allocated across the various workstreams. It works throughout the year to dynamically adjust assignment to account for emerging needs and requirements.

Risk Implications

28. Key risks managed by the department are included in the Risk Update Report that is also reported to this Committee that are relevant to its Terms of Reference.

Climate Implications

29. The department supports the delivery of the Climate Action Strategy targets (achieving EPC C by 2027 and EPC B by 2030 and Carbon Net Zero (CNZ) by 2040) related to our financial and property investments and CNZ by 2027 for operational properties.

Conclusion

30. This report presents the proposed high-level Business Plan for 2025/26 for the City Surveyor's Department for Members to consider and approve.

Appendices

- Appendix 1 – Draft High-Level Business Plan 2025/26 - CSD

Departmental Performance & Services Team
City Surveyor's Department

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