



Investment Committee

Date: THURSDAY, 25 JULY 2024
Time: 10.00 am
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:

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

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

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**

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

3. **MINUTES**

To approve the public minutes and non-public summary of the meeting held on 21 May 2024.

For Decision
(Pages 9 - 14)

4. **FORWARD PLAN**

For Information
(Pages 15 - 16)

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

Joint Report of the City Surveyor and the Chamberlain.

For Decision
(Pages 17 - 24)

6. **TREASURY MANAGEMENT UPDATE AS AT 31 MAY 2024**

Report of the Chamberlain.

For Discussion
(Pages 25 - 36)

7. **CITY SURVEYOR'S BUSINESS PLAN 2023-28 QUARTER 4 2023/24 UPDATE**

Report of the City Surveyor.

For Information
(Pages 37 - 42)

8. **WARDMOTE RESOLUTIONS**

- a) To consider the following Resolution from the Ward of Langbourn – 20 March 2024:

“The Ward of Langbourn has become increasingly concerned about the lack of action by the City of London Corporation in adopting a sustainable strategy for Leadenhall Market, which will enable the Market and its tenants to flourish in the future. It is hereby resolved by this Wardmote to request the City of London Corporation:

- i) To review the options to establish a more appropriate management and ownership structure for this iconic asset and make a decision as to future strategy no later than May 2024.
 - ii) To establish an action plan and timetable for implementation by September 2024”.
- b) To consider the following Resolution from the Ward of Lime Street – 20 March 2024:

- (i) “The Lime Street Wardmote resolved that:

- 1) City of London Corporation be asked to review the options to establish a more appropriate management and ownership structure for Leadenhall Market and the Monument and make a decision as to future strategy as soon as it is possible and by no later than May 2024 and;
- 1) To establish an action plan and timetable for implementation by September 2024.

Such an action plan should also consider potential involvement of ECBid and also inclusion of the Monument in its considerations”.

For Information

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

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

11. **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

12. NON-PUBLIC MINUTES

To approve the non-public minutes of the meeting held on 21 May 2024.

For Decision
(Pages 43 - 48)

13. REAL ESTATE INVESTMENT STRATEGY

Report of the City Surveyor.

For Decision
(Pages 49 - 66)

14. CITY'S ESTATE - UPDATE ON ASSET ALLOCATION, DRAWDOWN AND LIQUIDITY RESERVE

Report of the Chamberlain.

For Decision
(Pages 67 - 74)

15. DISINVESTMENT ADVICE AND INVESTMENT STRATEGY REVIEW

The Chamberlain.

For Decision
(Pages 75 - 102)

16. CITY'S ESTATE DRAFT DASHBOARD

Report of the Chamberlain.

For Discussion
(Pages 103 - 110)

17. PUDDLE DOCK – DEVELOPMENT OPTIONS REVIEW

Report of the City Surveyor.

For Decision
(Pages 111 - 130)

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

Report of the City Surveyor.

For Decision
(Pages 131 - 138)

19. **ONE SALISBURY SQUARE / SUSTAINABILITY ENHANCEMENTS**
Report of the City Surveyor.
For Decision
(Pages 139 - 146)
20. **DELEGATIONS REQUEST**
Report of the City Surveyor.
For Decision
(Pages 147 - 152)
21. **CLIMATE ACTION DASHBOARD UPDATE**
The City Surveyor to be heard.
For Information
22. **PERFORMANCE MONITORING TO 31 MAY 2024: CITY'S ESTATE**
Report of the Chamberlain.
For Discussion
(Pages 153 - 170)
23. **SIR WILLIAM COXEN TRUST FUND PERFORMANCE MONITORING TO 31 MARCH 2024**
Report of the Chamberlain.
For Decision
(Pages 171 - 176)
24. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 31 MARCH 2024**
Report of the Chamberlain.
For Discussion
(Pages 177 - 180)
25. **CITY FUND & CITY'S ESTATE: INVESTMENT PROPERTY MONITORING REPORT**
Report of the City Surveyor.
For Information
(Pages 181 - 184)

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

Report of the City Surveyor.

For Information
(Pages 185 - 186)

27. **CITY FUND & CITY'S ESTATE RENTAL ESTIMATES**

Report of the City Surveyor.

For Information
(Pages 187 - 190)

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

Report of the City Surveyor.

For Information
(Pages 191 - 194)

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

Report of the City Surveyor.

For Information
(Pages 195 - 198)

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

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

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INVESTMENT COMMITTEE Tuesday, 21 May 2024

Minutes of the meeting of the Investment Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Tuesday, 21 May 2024 at 2.00 pm

Present

Members:

Deputy Andrien Meyers (Chair)
Shahnan Bakth (Deputy Chairman)
David Brooks Wilson (External Member)
Deputy Henry Colthurst (Ex-Officio Member)
Steve Goodman OBE
Deputy Christopher Hayward (Ex-Officio Member)
Philip Woodhouse

Officers:

Caroline Al-Beyerty	- Chamberlain
John James	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Sarah Port	- Chamberlain's Department
Kirpual Kaur	- Comptroller and City Solicitor's Department
Andrew Cross	- City Surveyor's Department
John Galvin	- City Surveyor's Department
Robert Murphy	- City Surveyor's Department
Neil Robbie	- City Surveyor's Department
Ben Dunleavy	- Town Clerk's Department

Also in attendance

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

1. APOLOGIES

Deputy Christopher Hayward, as the second most senior Common Councillor, moved that Deputy Randall Anderson, as the most senior Common Councillor, should take the Chair until the election of the Chair at item 4. The motion was seconded and approved by the Committee and Deputy Anderson accordingly took the Chair.

Apologies for absence were received from Claudine Blamey and Deputy James Thomson.

Deputy Simon Duckworth observed the meeting virtually.

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

Deputy Randall Anderson declared, in respect of item 17 on the agenda, that he was a Freeman of the Worshipful Company of Ironmongers.

The standing declarations of David Brooks Wilson were noted.

3. **ORDER OF THE COURT**

Members received the Order of the Court of Common Council dated 25 April 2024 appointing the Committee and setting its Terms of Reference.

4. **ELECTION OF CHAIR**

The Committee proceeded to elect a Chair in accordance with Standing Order No. 29. Deputy Andrien Meyers, as the only Member expressing their willingness to serve, was duly elected as Chair for the ensuing year and took the Chair.

RESOLVED, that – Deputy Andrien Meyers be elected Chair of the Investment Committee for the ensuing year.

5. **ELECTION OF DEPUTY CHAIR**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No. 30. Shahnan Bakth, as the only Member expressing their willingness to serve, was duly elected as Deputy Chair for the ensuing year.

RESOLVED, that – Shahnan Bakth be elected as the Deputy Chair for the ensuing year.

6. **CO-OPTION OF MEMBERS**

Members proceeded to co-opt two Members to serve on the Committee.

Following a ballot, Alderman Alison Gowman and Deputy Henry Pollard were co-opted on to the Committee.

The Chairman proposed that the governance arrangements for the co-option of Members from the Court should be included as part of the Committee's annual terms of reference review. He felt that the two co-opted positions should become positions on which the entire Court could vote, rather than co-opted by the Committee.

Members were supportive of the proposal to re-examine this element of the Committee's composition, and raised the importance of how different things were represented on the committee, including skill skills and diversity.

7. **MINUTES**

7.1 **Minutes of the meeting of 12 February 2024**

The Town Clerk informed Members of a minor correction to item 5 so that the title read 'Draft High-Level Business Plan 2024/25 – City Surveyor's Department'.

The public minutes and non-public summary of the meeting held on 12 February were agreed as a correct record, as amended.

7.2 Minutes of the meeting of 22 March 2024

The public minutes and non-public summary of the special meeting held on 22 March were approved as a correct record.

8. FORWARD PLAN

Members received the Committee's forward plan.

9. RISK REGISTER UPDATE FOR INVESTMENT COMMITTEE

Members received a joint report of the Chamberlain and City Surveyor concerning the overarching risk register for the Investment Committee.

The Chair requested that Members provide any feedback on the overarching risk register's format outside of the meeting.

A Member asked officers if they felt the rating for IC 04 Cashflow Management should be higher, given the City Corporation's capital requirements. In reply, the Chamberlain noted that the rating for this risk had already been increased following feedback from Members, and it would be kept under close review.

RESOLVED, that – Members:

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

10. TREASURY MANAGEMENT UPDATE AS AT 31 MARCH 2024

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

A Member requested that officers explore alternative ways of presenting the information in the report.

A Member asked if the consequences of a potential change in government and related economic pressures, including property failure, had been considered when drafting the report. In reply, officers said that the report focused solely on cash management, and did not account for property markets. The Chamberlain drew Members' attention to paragraph 14 which set out officers' thoughts on direction of the market and noted that inflationary pressures seemed to be subsiding.

The Chair asked if property inflation was being considered more generally. A Member said that they felt the real issue whether counter-party risks had an exposure to property. Officers said City Corporation's approach to counter-parties was prudent, as laid out in the report.

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

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

There were no questions.

12. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was no other business.

13. 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.

14. NON-PUBLIC MINUTES

14.1 Non-public minutes of the meeting of 12 February 2024

The non-public minutes of the meeting held on 12 February 2024 were approved as a correct record.

14.2 Non-public minutes of the meeting of 22 March 2024

The non-public minutes of the meeting held on 22 March 2024 were approved as a correct record.

15. OCIO UPDATE ON STRATEGIC AND TACTICAL POSITIONING

Members received a report of the Chamberlain concerning the Investment Strategy.

16. DRAWDOWN PROCESS

Members received a report of the Chamberlain concerning the drawdown process.

17. ACQUISITION OF FERRONERS HOUSE

Members received a report of the City Surveyor relating to a property acquisition.

18. DELEGATIONS REQUEST

Members received a report of the City Surveyor providing information on delegations sought in June and July.

19. PERFORMANCE MONITORING

19.1 City's Estate Quarterly Monitoring Report

Members received the Quarterly Monitoring report for Q1 2024; this report was produced by Mercer.

19.2 Performance Monitoring to 31 March 2024: City's Estate

Members received a report of the Chamberlain concerning performance monitoring to 31 March 2024.

20. PRI 2023 ASSESSMENT UPDATE

Members received a report of the Chamberlain concerning the Principles for Responsible Investment (PRI) Assessment.

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

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

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

Members received a report of the City Surveyor concerning MRI Horizon.

23. REPORT OF ACTION TAKEN

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

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

There were two non-public questions.

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

There was no other business.

The meeting ended at 3.42 pm

Chairman

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	25 July 2024	7 October 2024	2 December 2024
Overall Investment Portfolio (Chamberlains and City Surveyors)	<p>Risk Register Update for Investment Committee</p> <p>City's Estate Draft Dashboard (Chamberlain/OCIO)</p> <p>City's Estate - Update on Asset Allocation, Drawdown and Liquidity Reserve (Chamberlain/OCIO)</p>	<p>City Surveyor's & Chamberlain's Department Risk Register for Investment Committee Implementation progress</p>	<p>Risk Register Update for Investment Committee</p>
Investment Property	<p>Investment Strategy</p> <p>City's Estate and City Fund: Rental Estimates Report (March Quarter)</p> <p>City Fund and City's Estate: Investment Property Monitoring report inc.</p> <ul style="list-style-type: none"> • <i>Vacant Accommodation Update</i> • <i>Delegated Authorities – Decisions as at 30th June</i> • <i>Rent Reviews/Lease Renewals report as at June Quarter Day</i> • <i>Arrears</i> <p>MSCI Annual Performance</p> <p>City Surveyor Revenue Outturn 2023-24</p> <p>City Fund & City's Estate Revenue Works Programme – 24/25 Progress (half yearly report)</p>	<p>City's Estate and City Fund Rental Estimates Monitoring Report (June Quarter)</p> <p>Delegation Request</p>	<p>City Surveyor's Department Risk Register</p> <p>City Fund and City's Estate: Investment Property Monitoring half yearly report, including:</p> <ul style="list-style-type: none"> • <i>Vacant Accommodation Update</i> • <i>Delegated Authorities – Decisions as at 30th September</i> • <i>Rent Reviews/Lease Renewals</i> • <i>Arrears</i> <p>City's Estate and City Fund Rental Estimates Monitoring Report (September quarter)</p> <p>City Surveyor Revenue Budgets report Latest Approved 2024/25 and Original Estimates 2025/26</p> <p>CSD Business Plan – 2nd Quarter 2024/25 Progress Report.</p> <p>City Surveyor's Department Risk Register – 2nd Quarter Progress</p>

	<p>CSD Business Plan – 4th Quarter 2023/24 Progress Report.</p> <p>Climate Action Dashboard</p> <p>City Fund – Calcutta House and 133 Whitechapel High Street to enter into a Memorandum of Understanding</p> <p>City Fund - One Salisbury Square - Sustainability Enhancement</p> <p>Delegation Request</p>		<p>Climate Action Dashboard</p> <p>Delegation Request</p>
Financial Investments	<p>Performance Monitoring report for City's Estate Investments as at 31 May 2024</p> <p>Disinvestment Advice & Investment Strategy Review (Chamberlain/Mercer)</p> <p>Hampstead Heath Trust and Charities Pool Investment Performance Monitoring to 31 March 2024</p> <p>Sir William Coxen Trust Fund Performance Monitoring to 31 March 2024</p>	<p>Performance Monitoring report for City's Estate Investments</p> <p>Quarterly Investment report from Mercer (Investment Consultant)</p>	<p>Performance Monitoring report for City's Estate Investments</p> <p>Quarterly Investment report from Mercer (Investment Consultant)</p> <p>Hampstead Heath Trust and Charities Pool Investment Performance Monitoring to 30 September 2024</p> <p>Sir William Coxen Trust Fund Performance Monitoring to 30 September 2024</p>
Treasury Management	Treasury Management Update	<p>Treasury Management Update</p> <p>Treasury Management Outturn 2023-24</p>	<p>Mid-Year Treasury Review</p> <p>Treasury Management Update</p>
Town Clerk's Department	Wardmote Resolutions		

Agenda Item 5

Committee(s)	Dated:
Investment Committee – For decision	25th July 2024
Subject: Risk Register Update for Investment Committee	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
Does this proposal require extra revenue and/or capital spending? N/A	No
If so, how much? N/A	N/A
What is the source of Funding? N/A	N/A
Has this Funding Source been agreed with the Chamberlain’s Department? N/A	N/A
Report of: The City Surveyor (CS 170/24)	For Decision
Report author: Sarah Port and Kate Limna – Chamberlain’s Department Anna Flashman and Faith Bowman – City Surveyor’s Department	

Summary

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

This report includes an update on three risk registers:

- Overarching Risk Register – This captures risks relating to the overall investment portfolio e.g. allocation between asset classes; risks common to both portfolios e.g. governance risk; and arrangements over liquidity which sit above the portfolios. This register is included as Appendix A.
- City Surveyor’s Departmental Risk Register – The City Surveyor’s Department (CSD) maintains a comprehensive risk register of matters pertaining to the department’s operation and objectives. Where these risks are relevant to this Committee, these have been included in Appendix B.
- Corporate Treasury Risk Register – captures risks relating to the treasury function and the City’s Estate financial investments (Appendix C).

Members requested at the May Committee (CS 079/24) that a single report will be generated on a period basis. The organisation’s Risk Management Policy and Strategy (2021) defines this period as quarterly.

Due to the short period between the most recent Committee and this one, only minor changes have been made to the registers, with the key updates outlined in the summary report below. Internal resource constraints have prevented significant evolution of the Overarching Risk Register. Further work on developing this new register will be undertaken over the summer before your October Committee.

Recommendation(s)

Members are asked to:

- 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.

Main Report

Background

1. The City Surveyor's Department (CSD) and the Chamberlain's Corporate Treasury Team report to the Investment Committee (IC) those risks relevant to your Committee under your Terms of Reference. Further, an overarching register has been in development capturing high-level risks to the investment portfolio.
2. Following discussions at the May IC it was agreed that a single report would be presented to Members on a periodic basis. CSD must report its risks on a quarterly basis in line with the Corporate Risk Management Policy and Strategy, 2021 (RMP&S), and therefore the other registers must be presented in line with this frequency.
3. Previously risks relating to Corporate Treasury were only reported to Committee on a six-monthly basis.
4. Risks to the overall investment portfolio such as allocation between asset classes, risks common to both portfolios, governance risks, and arrangements over liquidity which sit above the portfolios, are captured within the Overarching Risk Register. This is the second time that this register has been presented to Committee and this register can be considered to still be in development.

Review of Risks

5. The method of assessing risk reflects the City of London's standard approach as defined in the RMP&S. The risk matrix, which explains how risks are assessed and scored is attached at Appendix D. These scores are summarised into three broad groups, each with increasing risk, and categorised "green", "amber" and "red".
6. There has been limited capacity since the prior report in May to develop the Overarching Risk Register (Appendix A). This will be further reviewed over summer with a more comprehensive update provided to your October Committee.
7. Appendix B relates to risks owned by CSD, capturing items which could impact the performance of the investment property portfolio. Appendix C relates to risks owned by Corporate Treasury, helping identify and manage the strategic risks facing the City's non-property investments.
8. Each risk presented in the Risk Register is accompanied by one or more "action(s)" which reflect how the risk is managed and mitigated. A "due date" for required completion is set against each action. Due to the nature of the risk overseen by the

Committee in many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual update, which will be reviewed each year.

Current Position









Overarching Portfolio Risk register (Appendix A)

9. As reported to your May Committee, a new Overarching Risk Register for the investment portfolio has been developed. This includes:

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

10. The risk register is still a work in progress and development has been constrained by resource availability. Mitigating actions will be developed and presented to Members at your October Committee.

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

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

CSD Risk Register (Appendix B)

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

- a. SUR SMT 005
Construction and Service Contracts Price inflation
Current Risk Score 16 (Red)

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

Tender prices continue to come in at a high level and the department is working with the Chamberlain's Procurement team to attract a greater number of contractors to bid on projects. Following this review Two Stage contracts will be used more frequently which is the current market norm. The department will continue to progress mitigations wherever possible.

- b. SUR SMT 006
Construction Consultancy Management
Current Risk Score 16 (Red)

This risk relates to abortive design and development work. The department continues to pursue several mitigating activities to reduce the likelihood of this risk. Which also includes the current lack of skill set in the construction industry.

- c. SUR SMT 009
Recruitment and Retention of Property Professionals
Current Risk Score 16 (Red)

The risk scoring on this item was reviewed again by the department's management team in June. There is significant continued competition for the recruitment of experienced property professionals, particularly in Surveying and Project Management.

The department has communicated these pressures corporately and is actively feeding into the wider organisational pay and reward review (Ambition 25) to help mitigate this risk. It should be highlighted that this item is also been identified as a Corporate Risk (CR 39 Recruitment and Retention).

- d. SUR SMT 016
Investment Property Group Staffing and Capacity
Current Risk Score 16 (Red)

This is a new risk on the Surveyor's Departmental Risk Register which reflects the new skill sets and additional capacity required within the Investment Property Group. This is in response to changing corporate investment targets, organisational requirements, and access to market. The department has identified several actions to reduce the likelihood and impact of this risk.

This risk is linked to the departments Recruitment & Retention risk (SUR SMT 009) and Investment Strategy Risk (SUR SMT 003).



- e. SUR SMT 011
Contractor failure
Current Risk Score 16 (Red)

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

Should a main contractor, or sub-contractor, fail, there are knock on implications for warranties, or our capacity to seek redress for any design faults.

The department is now undertaking six-monthly reviews of contractor suitability. Traditionally this only occurs at contract commencement. It is anticipated that this will better prepare the organisation should the contractor experience any difficulties.
















12. The below table provides a summary of CSD risks relevant to this Committee.

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
SUR SMT 005	Construction Price Inflation	16			
SUR SMT 006	Construction Consultancy Management	16			
SUR SMT 009	Recruitment and retention of property professional	16			
SUR SMT 016	Investment Property Group Staffing and Capacity	16		New Risk	New Risk
SUR SMT 011	Contractor Failure	16			
SUR SMT 010	Insurance - Investment and Corporate Estates	12			
SUR SMT 003	Investment Strategy Risk	12			
SUR SMT 012	Adjudication & Disputes	8			

Chamberlain (Corporate Treasury) Financial Investments (Appendix C)

13. The financial Investments Risk Register contains five risks which are summarised in Table 3 below and are ranked by their current risk score.
14. Officers have reviewed the Risk Register to establish whether the risk environment has changed, and both risks have been reviewed and updated where necessary. Updates to the Risk Register are underlined throughout. Table 3 below provides a summary of the risks.

Table 1: Summary table of risks for Corporate Treasury relevant to investment Committee

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

Corporate & Strategic Implications

Strategic implications

15. Organisationally strategic risks are managed on the City Corporation's Corporate Risk Register. The Overarching Risk Register will seek to capture overall uncertainty to the investment portfolio, which may have strategic implications.

Financial implications

16. Should a risk manifest there may be financial impacts. The assessment of risk includes consideration of potential financial implications, and this is reflected within the risk scoring.

Resource implications

17. The progression of mitigating activities often requires the provision of adequate resources. Where relevant this has been highlighted within the risk actions.

Legal implications

18. Legal and contract implications are highlighted where relevant within the relevant Risk Register.

Risk implications

19. Key risks are included in this report.

Equalities implications

20. Where relevant this is highlighted within the Risk Registers.

Climate implications

21. Sustainability and Impact is the focus of one of the key risks on the Overarching Risk Register.

Security implications

22. None

Conclusion

23. Members are asked to note the recent changes to the risk registers. Both the Chamberlain's Department, and CS, are working hard to ensure that risks are identified, assessed, and mitigating actions are progressed.

Appendices

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

Background Papers

- The City Surveyor The City Surveyor's Departmental Risk Register – September 2023 Update (CS 265/23)
- The City Surveyor The City Surveyor's Departmental Risk Register – November 2023 Update (CS 340/23)
- The City Surveyor The City Surveyor's Departmental Risk Register – May 2024 Update (CS 079/24)

Kate Limna

Corporate Treasurer

Chamberlain's Department

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Anna Flashman

Departmental Performance & Services

City Surveyor's Department

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Agenda Item 6

Committee: Investment Committee	Dated: 25 July 2024
Subject: Treasury Management Update as at 31 May 2024	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Discussion / Information
Report author: Adam Buckley – Chamberlain's Department	

Summary

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

The treasury position was last reviewed by the Investment Committee at the meeting on 21 May 2024, when they received a report outlining the treasury position as at 31 March 2024.

The treasury management investment portfolio had a market value of £1,057.5m as at 31 May 2024, which is an increase of £156.3m from the balance previously reported as at 31 March 2024 (£901.2m).

The Consumer Prices Index (CPI) rose by 2.0% in the 12 months to May 2024, down from 2.3% in the 12 months to April and 3.2% in March 2024. The Bank of England's Monetary Policy Committee (MPC) maintained the Bank Rate at 5.25% for a sixth consecutive time at its meeting on 9 May 2024, and subsequently for a seventh time at its meeting of 19 June 2024. The market expectation is that rates have peaked at 5.25%, with the next move down to 5.00% not expected until Q3 2024, and a further move down in Q4 2024. However, this sentiment remains volatile and may change in the near-term on the back of fresh central bank speakers, as well as both domestic and international data releases.

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

Recommendation

Members are asked to note the report.

Main Report

Background

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

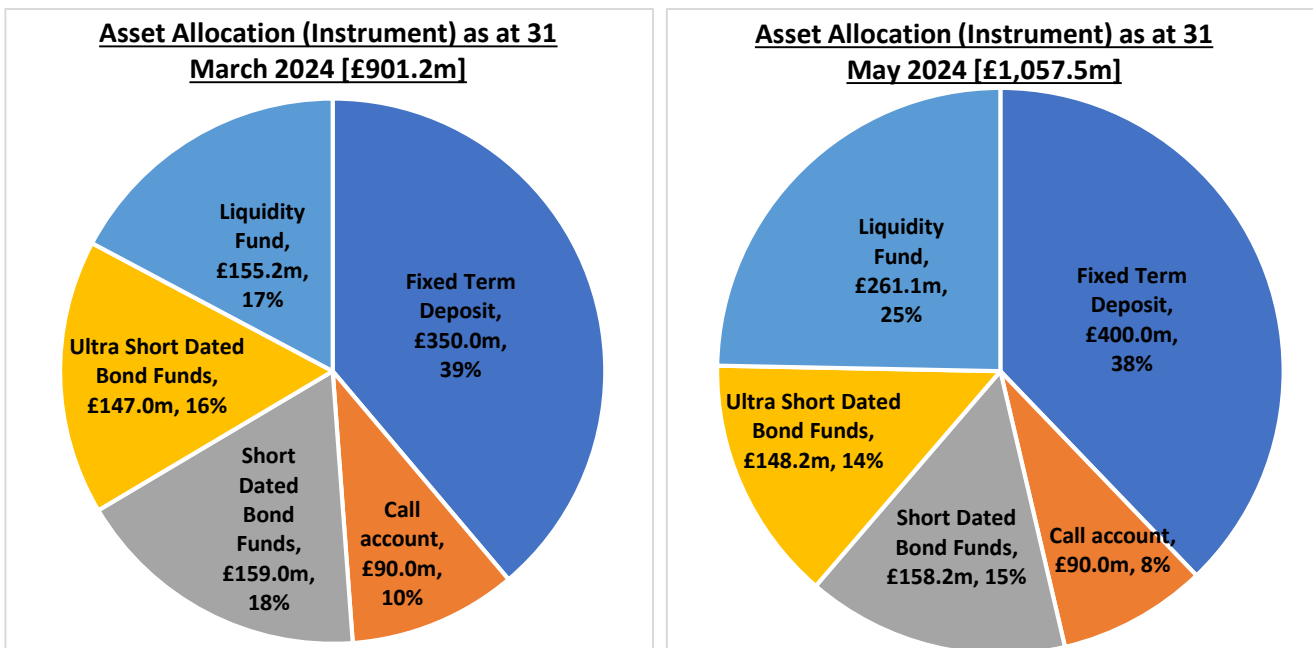
Current Position

2. The treasury management investment portfolio had a market value of £1,057.5m as at 31 May 2024, which is an increase of £156.3m from the balance previously reported as at as at 31 March 2024 (£901.2m). This increase is principally due to:-
 - business rates income of £369.0m;
 - receipt from the sale of Molton Street estate of £54.5m;
 - Home Office grant income of £20.8m; offset by
 - business rates payments to central government (£213.1m);
 - Blackrock Sterling Liquidity Money Market Fund (MMF) payment (£49.2m);
 - business rates refunds (£37.9m);
 - expenditure on Major Projects (£25.5m); and
 - Museum of London drawdown payments (£16.0m).

Asset Allocation

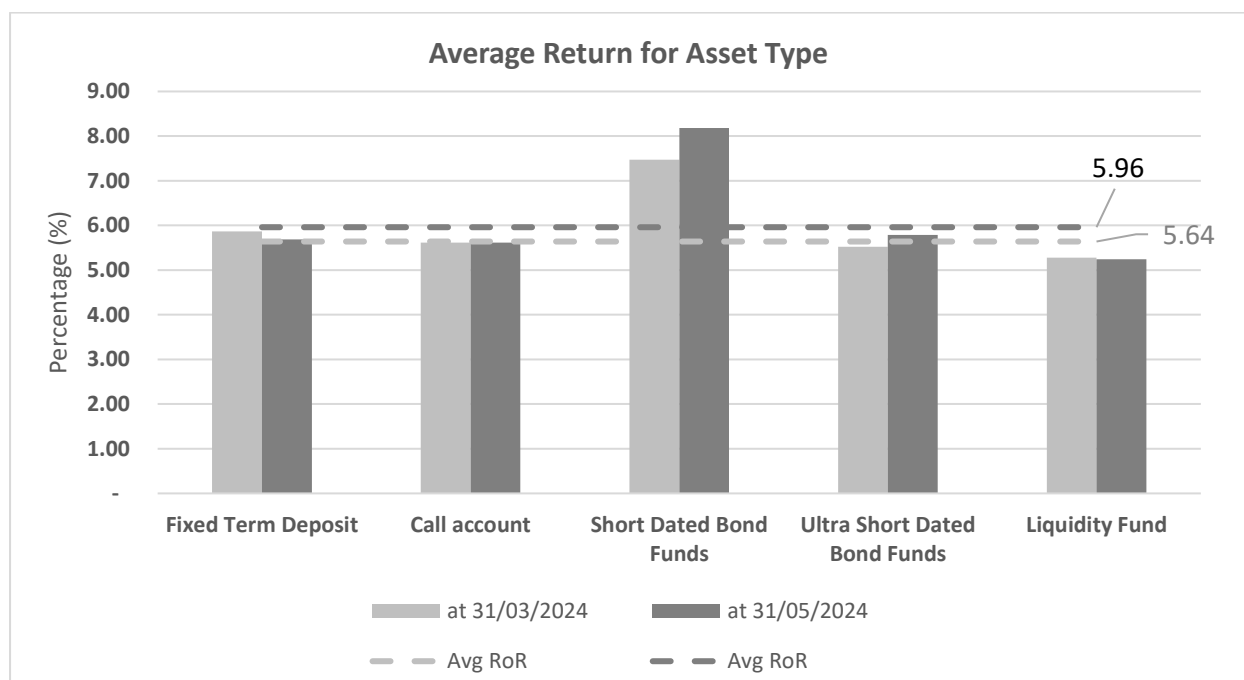
3. In accordance with the current Treasury Management Strategy Statement 2024/25, surplus cash is invested first and foremost with the aim of securing the Corporation's financial assets and secondly in line with the organisation's liquidity requirements (i.e. ensuring the cash is available when needed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

Figure 1: Asset allocation as at 31 March 2024 and 31 May 2024



5. As at 31 May 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 (38%); a rise of £50m from the previous reporting date, due to the increase in the portfolio total as detailed at paragraph 2 above. Liquidity funds now make up around 25% of the portfolio; these balances are very liquid and can be accessed on the day. There have been no changes in the amount of funds that are invested in notice accounts, which make up 8% of the portfolio.
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 (15%) 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 May 2024 and 31 March 2024 is shown below in Figure 2. Further analysis on the composition of the portfolio as at 31 May 2024 is provided in the Monthly Investment Report at Appendix 2, which demonstrates the average rate of return for the portfolio as at 31 May 2024 is 5.96% (31 March 2024: 5.64%). A summary of counterparty exposure is also included at Appendix 1, as well an *Economic, Social, & Governance (ESG)* checklist of Treasury Management Counterparties (excluding local authorities) at Appendix 3.

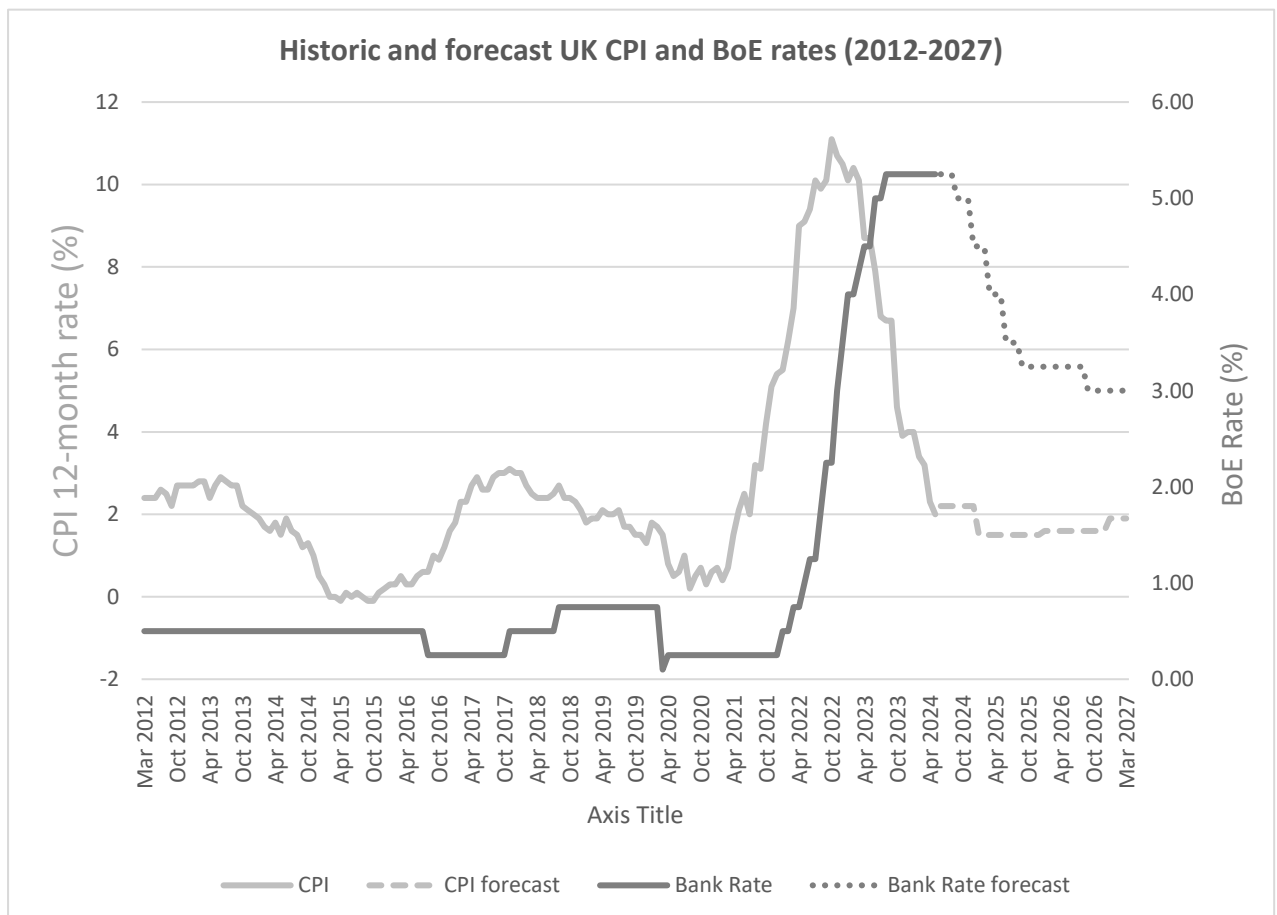
Figure 2: Average Return for Asset Type as at 31 March 2024 and 31 May 2024



Performance

8. The Consumer Prices Index (CPI) rose by 2.0% in the 12 months to May 2024, down from 2.3% in the 12 months to April and 3.2% in March 2024.
9. The Bank of England’s Monetary Policy Committee (MPC) maintained the Bank Rate at 5.25% for a seventh consecutive time at its meeting on 19 June 2024, after the rate was also unchanged at the previous meeting in May. The decision was passed with a vote of 7-2, with dissenters voting for a cut. However, three of those members voting for no change indicated their decision was “finely balanced”, suggesting to markets that the next move could yet happen in the Autumn, after the recent upside news on services inflation which came in at 5.7% in May compared to a Bank forecast of 5.3%.
10. As previously reported, the market expectation is that rates have peaked at 5.25%, with the next move down to 5.00% not expected until Q3 2024, and a further move down to in Q4 2024. However, this sentiment remains volatile and may change in the near-term on the back of fresh central bank speakers, as well as both domestic and international data releases.
11. LINK, our investment consultants, are currently forecasting a decrease in the rates in Q3 and Q4 of 2024, to be followed by further rate cuts through 2025.
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 2024) and Bank of England base rate (forecast from LINK) from 2012 to 2027 is shown below in Figure 3.

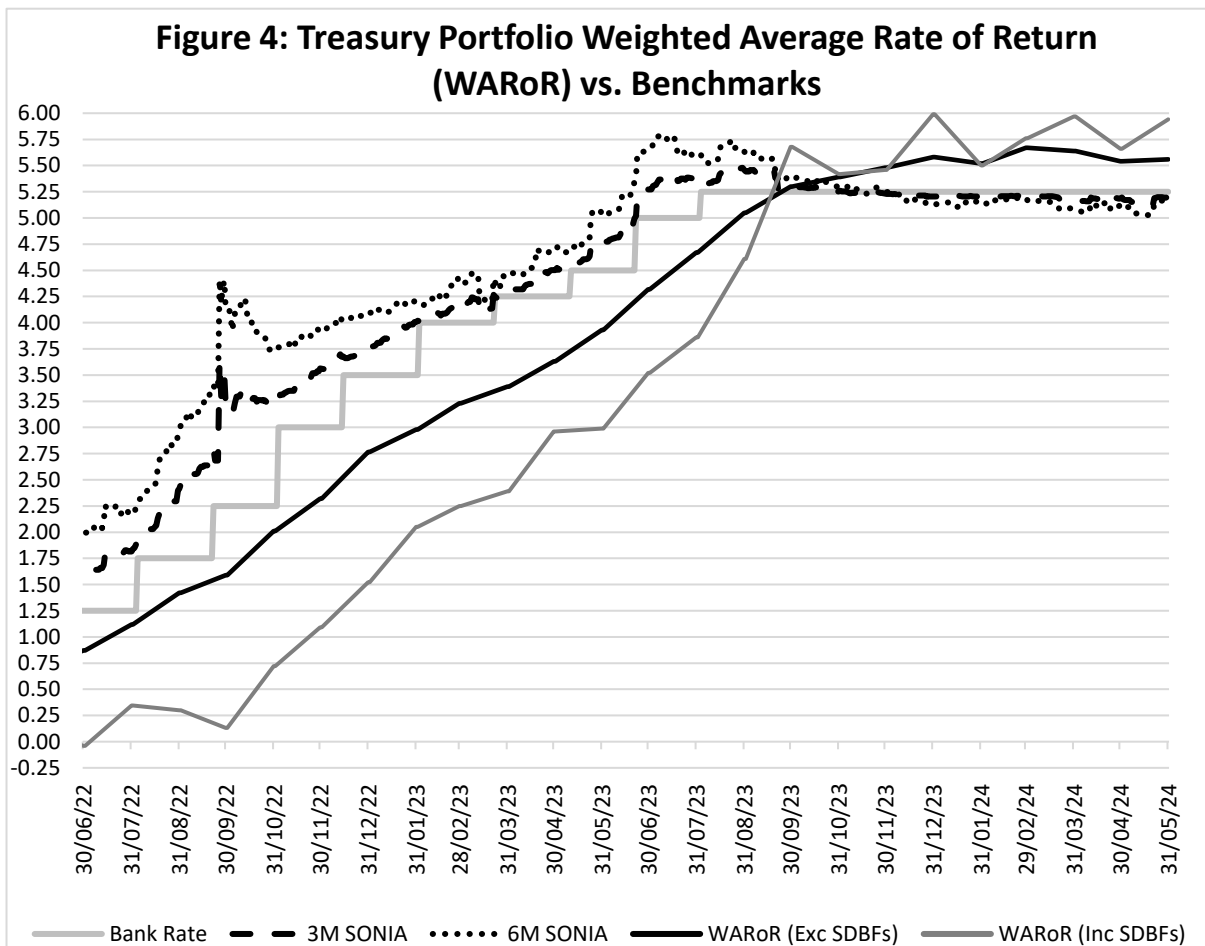
Figure 3: UK CPI 12-month rate / Bank of England base rate



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

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.



15. Sterling money market rates rose steadily in line with bank rate increases throughout most of 2022 and the first half of 2023, although they rose sharply at the end of September 2022 due to the Governments proposed fiscal stimulus plans, as investors demanded a higher risk premium and expected faster and

higher interest rate rises to offset the perceived risk of the proposed significant tax cuts to the UK economy, as shown in figure 3 for 3-month and 6-month Sterling Overnight Index Average Rate (SONIA). Rates subsequently eased as the government reversed its plans and the Bank of England moved to quell market unease, though rates still trended upwards in line with expected bank rate increases in the first half of 2023 as the MPC moved to try and ease inflation. In the second half of 2023 Sterling money market rates began to ease, as the bank rate reached an assumed peak of 5.25% at the start of August 2023. Sterling money market rates began to decrease in the second half of 2023 as the market priced in a number of Bank Rate cuts over the next 12 months, though money market rates have steadied so far in 2024 as expectations on future price cuts have been pushed back further.

16. Returns on the Corporation's short term investment portfolio excluding short dated funds trended upwards in 2023, as lower yielding deposits have matured and been replaced with new investments at a higher yield, as the Corporation capitalised on the increase in interest rates. This is visible in the weighted average return excluding short dated bond funds above (which omits the two longer-term short dated bond fund investments in the portfolio). Rates were maintained at the end of 2023/24 as the restrictive monetary policy continued; however officers expect the current rate of return on the portfolio to decrease slightly over the start of 2024/25, as maturing deposits are likely to be reinvested at rates below those achieved in 2023/24, reflecting the market expectation that the MPC's current restrictive policy stance begins to loosen in 2024.
17. 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 May 2024 in calculating the portfolio returns displayed in figure 1 (i.e. the WARoR (Weighted Average Rate of Return)). Returns on these investments faced somewhat of a reality check at the start of 2024 following their historic end to 2023. Throughout most of 2023 bond prices weakened amid concerns that major central banks would keep increasing interest rates in order to quell inflation. This sentiment changed in November 2023, with growing optimism that inflation was cooling and interest rates would be lowered, and hence investors piled into bonds which drove up prices and triggered a powerfully rally at the end of 2023. However, in a partial reversal of the positive performance experienced over the final quarter of 2023, bond yields rose in Q1 2024 (meaning prices fell) as the likelihood of interest rate cuts as soon as March were pushed out until later in the year. Whilst inflationary pressures look to be subsiding, non-committal statements from central banks on the future trajectory of interest rates was enough to "spook" investors and hence some of the earlier gains have been given back. The upward trend in yields continued in April 2024, driven by stronger than expected inflation data, albeit whilst this volatility subsided in May 2024, yields remained above their 2023 year end levels, but overall it was a positive month in May.
18. 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 May 2024

Fund	1 Month Return (30/04/2024 to 31/05/2024)	2 Month Return (31/03/2023 to 31/05/2024)	12 Month Return (31/05/2023 to 31/05/2024)
Federated Hermes Sterling Cash Plus Fund	0.40%	0.82%	5.38%
Aberdeen Standard Liquidity Fund Ultra Short Duration Sterling	0.48%	0.94%	5.66%
Payden Sterling Reserve Fund	0.54%	0.72%	6.07%
L&G Short Dated Sterling Corporate Bond Index Fund	0.58%	0.08%	8.01%
Royal London Investment Grade Short Dated Credit Fund	-0.36%	-1.07%	8.35%

19. 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. The steadying in interest rates rises, especially since the end of July 2023, compared to the sharp rise in September 2022, has had a positive effect on these short dated bond funds total returns over the last 12 months.
20. 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.
21. It should also be noted that fluctuations in the market value of investments do not impact the City Fund's revenue position owing to the existence of the IFRS 9 statutory override, which has currently been extended until 31 March 2025, which English local authorities are required to implement, and which requires unrealised capital gains and losses to be charged to an unusable reserve on the balance sheet rather than reported via income and expenditure.
22. As interest rates rise the bond managers are able to reinvest the maturing bonds at a higher yield, thus raising the level of income in the portfolio, that is, income, rather than capital gains, has generally made up a greater part of the total return generated by these funds. The income (distribution) yield on the bond funds with Royal London and L&G are 4.72% and 3.90% respectively as at the end of May 2024.
23. Previously, interest generated from short-dated bond funds was automatically reinvested, either by accumulating more shares or by increasing the price of the shares already held. The interest from these investments is now distributed quarterly for RLAM and half yearly for L&G.

Interest on average cash balances

24. 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 May 2024

	2024/25 Original Budget	2024/25 Forecast Outturn	2024/25 Better / (Worse)
	£'000	£'000	£'000
City Fund	28,900	44,579	15,679
City's Estate	(770)	856	1,626
Total City Fund & City's Estate Interest on average cash Balances	28,130	45,435	17,305

25. Income from interest on *average cash balances* is currently forecast to exceed budget by £17.3m, 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 27 below the cashflow forecast is currently being reviewed.

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

Cash Flow Forecast

27. The City Fund's medium-term cash flow forecast is currently being reviewed along with all the capital projects, including the major projects, to develop a detailed forecast and appropriate funding strategy. Stanhope Capital LLP has been appointed to provide a strategic investment advisory function working alongside the City's in-house Corporate Treasury and Investment Property teams, to provide expert advice on the investment strategy/allocation advice between property and financial investments. There is a separate paper (Update on Asset Allocation, Drawdown and Liquidity) on today's agenda.

Conclusion

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

29. Since the Investment Committee last reviewed the treasury position as at 31 March 2024, the Bank of England's Monetary Policy Committee (MPC) maintained its Bank Rate at 5.25% at its meeting in June 2024. The markets view is that the rate has now peaked at 5.25%, with no cuts expected to materialise until Q3 of 2024.

30. The increase in sterling money market rates in 2023 allowed the Corporation to obtain higher yields, though officers expect the current rate of return on the portfolio to begin to decrease over 2024/25, reflecting the market expectation that the MPC's current restrictive policy stance begins to loosen in 2024.
31. The 12 month returns on the Corporation's Short dated bond fund investments remain strong, following a partial reversal in the first four months of the year to April 2024 of the positive performance experienced over the final quarter of 2023, which witnessed a rise in bond yields (meaning prices fell) as the likelihood of interest rate cuts as soon as March were pushed out until later in the year. These investments are appropriate for surplus cash balances that can be invested sustainably over the medium term given the expectation for higher returns over this time horizon, and they continue to generate strong income returns. The interest from these investments is distributed, quarterly for RLAM and twice yearly for L&G.

Appendices

Appendix 1: Counterparty Exposure as at 31 May 2024

Appendix 2: Monthly Investment Analysis Review May 2024

Appendix 3: Treasury Management Counterparties 2024/25: Economic, Social & Governance (ESG) Checklist

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COUNTERPARTY EXPOSURE AS AT 31 MAY 2024

APPENDIX 1

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

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

: TREASURY MANAGEMENT COUNTERPARTIES 2024/25: ESG CHECKLIST

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

	Counterparty Name	UK (UK) or Foreign (f)	Net Zero Target Y/N	Date Net Zero Target	Interim Target	Signatory to PRI/TCFD	Which ones(s)?	Do they Publish ESG data?
23	Toronto-Dominion Bank	Foreign	Y	2050	N/A	Y	TCFD	Y
24	Landesbank Hessen-Thuringen Girozentrale (Helaba)	Foreign	N	NA	N/A	N		N
25	Cooperatieve Rabobank U.A.	Foreign	N	NA	N/A	N		N
26	DBS Bank Ltd	Foreign	Y	2050	N/A	Y	TCFD	Y
27	United Overseas Bank Ltd.	Foreign	Y	2050	N/A	Y	TCFD	Y
28	Skandinaviska Enskilda Banken AB	Foreign	Y	2050	N/A	Y	TCFD	Y
29	Swedbank AB	Foreign	Y	2050	N/A	Y	TCFD	Y
	Svenska Handelsbanken AB - Same a parent company (4)							
	Money Market Funds - Parent Companies Used (MMFs don't have net-zero targets)							
30	CCLA - Public Sector Deposit Fund	UK	N	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

Committee(s)	Date
Investment Committee – For information	25 July 2024
Subject: City Surveyor’s Business Plan 2023-28 Quarter 4 2023/24 Update	Report – public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
Does this proposal require extra revenue and/or capital spending? N/A	N
If so, how much? N/A	N/A
What is the source of Funding? N/A	N/A
Has this Funding Source been agreed with the Chamberlain’s Department? N/A	N/A
Report of: The City Surveyor (CS.160/24)	For Information
Report author: John Galvin /Anna Flashman / Faith Bowman City Surveyor’s Department	

Summary

- This report provides Members of Investment Committee (IC) details of key performance indicators in the 2nd half of the year (October 2023 to March 2024) against the 2023-28 Business Plan. A similar report is presented to Members of Resource Allocation Sub Committee (RASC, CS 159/24).
- Overall, the department has continued to successfully deliver against its approved objectives set out in the Business Plan in a challenging environment. In 2023/24 the delivery of core services, providing significant support to the progression of major programmes, and the integration of the Markets team into the department have remained key priorities. At the end of the reporting year, out of nine of the departmental key performance indicators (KPIs) relevant to this Committee, four achieved their respective targets (green), three were marginally behind (amber), one indicator did not achieve target (red), with the RAG status of the final KPI to be confirmed.
- The amber/red indicators were as follows:
 - KPI. 5 – Adherence to budgetary spend profiles (Red)
 - KPI. 6 – Capital Projects – project risk status (Amber)
 - KPI. 3 – Delivery of Climate Action Strategy Milestones – Investment Property (Amber)
 - KPI. 8 – Site sustainability waste management (Amber)
- The City Surveyor’s 2023/24 outturn indicates that the department was overspent by £1.3m at year end on City Fund and City’s Estate services. This was against a budget of £31.1m (4%).
- The department recently reviewed its cost pressures and income generating opportunities through the Deep Dive process. These are currently being considered by the Chamberlain’s Department.

Recommendation

That Members note the content of this report.

Main Report

Background

1. In line with the City Corporation's performance management approach this is a twice-yearly report on the progress made during the second half of 2023-24 (October to March) against the 2023-28 Business Plan.

Current Position

2. This report provides the latest budget information which is set out in Appendix A. Note that this financial statement, and the commentary below, relates to all of the City Surveyor's services, not specifically those related to Investment Committee. Appendix B provides a detailed table of the department's Key Performance Indicators (KPIs). And an update on Climate Action Strategy is included as Appendix C.
3. A separate monitoring report on the risks within the department is also circulated for this meeting.

Financial Statement

4. The City Surveyor's 2023/24 outturn (Appendix A) reveals that the department was overspent by £1.3m (4%) against a budget of £31.1m at year end on City Fund and City's Estate services.
5. The City Surveyor's City Bridge Foundation (CBF) services were £609,000 underspent, largely due to savings on the cyclical works programme resulting from cancelled or deferred projects and an underspend on professional fees. If CBF services were taken into consideration, the City Surveyor's overall overspend position reduces to £691k (2%) against a total budget of £33.8m.
6. The key drivers of the overspend on the City Surveyor's City Fund and City's Estate services is an overspend on Departmental and Guildhall salary budgets due to not achieving the vacancy factor, an additional £140k of recruitment and staff costs, additional agency staff costs for the security and function teams and £151k of residual Fundamental Review savings that were not achieved.
7. In relation to the Guildhall complex overspend, £180k relates to costs associated with Guildhall events. As the Guildhall trading account is not yet operational with the additional event income, which would otherwise offset this cost, currently shown under the Remembrancer's local risk budget. Adjusting for this figure, the overall overspend reduces to £511k (1.5%) against a total budget of £33.8m.
8. Additionally, there was an overspend on one-off reactive repairs and maintenance work at Smithfield Market. Furthermore, the savings target at this location was not achieved following the closure of the Poultry Market.
9. These figures also exclude £1.5m additional property income (highways transactions and property disposals) and £4.4m rates savings over 6 years of the ratings list (New Street/Bishopsgate Police Stations) generated by this department. These amounts are accounted for under the relevant departments local risk budgets, or under the central risk budget to the benefit of the City overall.
10. On a positive note, rental income which is shown under central risk, reveals an overall surplus of £6.6m compared to the original budget for City's Estate and City Fund estate and of £2.1m against the latest December forecast. The department has reviewed its cost pressures as part of the Deep Dive process. These pressures, and possible mitigations, are currently being

considered by colleagues in the Chamberlain’s Department. This review further identified opportunities to generate additional income through charging on premium lease renewals and assisting with lucrative highway transactions. These opportunities are contingent on the availability of additional resource, and business cases are in development.

Quarter 4 2023/24 update

11. The table below provides an ‘at a glance’ assessment of the department’s performance for the City Surveyor’s KPIs at the end of the 2023/24 reporting year.

Status	Green	Amber	Red	TBC
Investment Committee	4	3	1	1
Overall (including non-IC measures)	5	4	2	1

Of the nine departmental measures reported to this Committee, four measures achieved their target (green), three were marginally behind (amber), one did not meet the target set at the beginning of the year (red). The RAG status of the final measure is to be confirmed.

12. The red and amber KPIs relevant to IC are as follows.

A. KPI. 5 – Budgetary Spend Profiles (Projects)

This objective of this indicator is that the actual spend, plus spend that has been receipted, will fall between 95% and 105% of the revised budget. This would indicate that services and projects are being delivered, and they are being delivered within their anticipated budgets.

Estimated target -100% with programmed property projects within agreed tolerance 95% to 105% of revised budget.

Performance 93% (Red)

Five investment projects were deferred with an estimated cost of circa £125m which has impacted year-end performance. Spend is in line with profile across most of the sub-categories, with overall expenditure only marginally behind the agreed tolerance.

B. KPI 6 Capital projects – Project Risk Status

This indicator assesses the proportion of projects which are red (which may be due to cost, time, or a combination of both) against the total number of projects.

Target – Less than 30%

Performance – 43% (Amber)

As reported previously to this Committee, over 60% of the department’s current projects were commenced in 2020 or before, meaning that their delivery has been significantly impacted by COVID-19. These projects have been subject to extended periods of reduced site capacity/productivity and from subsequent high levels of construction price inflation. This has resulted in a greater number of projects falling outside of time and/or price expectations. Whilst performance on current projects is positive, the volume of older projects has provided a drag on performance overall.

The department has flagged a risk on its departmental risk register relating to the possibility that a main contractor, or significant sub-contractor, may go into administration. This item is covered in more detail on the Risk Update Report, also presented to this Committee. KPI. 3 – Delivery of Climate Action Strategy (CAS) milestones – investment property

The objective of this KPI is to achieve the milestones in the delivery plan for Climate Action Strategy for the Investment Property Portfolio consisting of a set of sub-tasks to progress towards net zero.

Performance - off target (Amber)

At the end of the reporting year, there has been delays in developing Green Lease clauses and Memorandum of Understanding's (MOUs) due to difficulty in securing the specialist legal advice needed. We now expect it will be quarter 3 2024/25 before green leases will start to be used for new leases, followed by Asset Managers requesting existing tenants with leases signing MOUs. Full details are contained in Appendix C.

- C. KPI. 8 – Capital Projects – Site sustainability waste management
This indicator looks at the overall site waste management (the amount of waste diverted to land field sites).

Target more than 90%

Performance 89% (Amber)

This indicator has consistently performed above the target in the previous three quarters and the quarter 4 result is currently under review.

13. One measure, KPI. 10 – Minimise Arrears – has a RAG assessment that is to be confirmed. The reported figure (3.46% against a target of 1.5%) includes arrears for which there is a payment plan in place. These values are usually excluded from the rent arrears calculation. Due to the changeover in monitoring systems, it has not been possible to separate out arrears for where there is a payment plan in place. Applying the quarter 2 exclusions to the total arrears figure of £4.72m would reduce the rate to 1.38%, achieving target. Due to this calculation issue we have not ascribed a RAG status to the measure.

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

Key Achievements

14. At the end of the reporting year, it is useful to reflect on the contributions of the department to the overall success of the City Corporation. Below are a small sample of the achievements delivered by colleagues across the department, noting that some of these contribute to work outside of the IC.
- Additional rent of £6.6m against the Original Budget of £98.2m by the Investment Property Group, supporting the City Corporation's public value aspirations.
 - Property Projects Group successfully completed the following projects: Barking Reach Remediation Project, 84 Moorgate Investment Project, New Bridge Street Investment Project and the Rough Sleepers Assessment Centre for Community and Children's Services.
 - Significant reduction of £8.6m in energy costs through the Power Purchase Agreement through credits received and a reduction in our market-based emissions of 11,090 tCO₂e.
 - The approval of £133.7m for the Cyclical Works Programme (CWP). This comprises of £55.1m backlog requirements (known as the bow wave), £75.8m of forward plan works over the next three years, and c£2.8m for staff resourcing. This will be delivered over a five-year period. £18m of these works are part of our pathway to net zero carbon. The CWP excludes ring-fenced and institutional property.
 - Generation of £1.5m additional new property income (highways transactions and property disposals) and £4.4m rates savings over 6 years of the ratings list benefitting the Corporation's budgets beyond the City Surveyor's.
 - The implementation of the new Integrated Facilities Management (IFM) approach, driving further efficiency and savings across the organisation.

Corporate & Strategic Implications

16. The City Surveyor's Department aims to support the outcomes in the Corporate Plan.
- The department has a key role in delivering the vision for the City – through the delivery of major construction projects (Markets Co-location Programme, Sailsbury Square, London Museum, Barbican Renewal), the maintenance of our heritage estate for the benefit of all of London, and the generation of significant income from both the investment and operational property portfolios supports all that we do.
17. The department continues to collaborate with corporate leads to ensure the successful delivery of our strategic priorities, notably Destination City, Climate Action Strategy and the City's Corporate Property Asset Management Strategy 2020-25.

Financial implications

Under the Financial Regulations, overspends on City Fund and City's Estate local risk budgets, whatever the amount, are automatically carried forward to be recovered in the next financial year unless waived wholly or in part by Finance Committee.

Resource implications

18. The department has worked hard to identify several items to mitigate the underlying departmental pressures through the Deep Dive process. The department has identified opportunities to grow the delivery of income and capital receipts for the organisation. Business cases are in development for these opportunities as resource will be required.

Legal implications

19. None

Risk implications

20. Key risks managed by the department are included in this Risk Update Report that is also reported to this Committee.

Equalities implications

21. None.

Climate implications

22. 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 by 2040) related to our financial and property investments.

Security implications

23. None

Conclusion

24. Over 2023/24 the department has made good progress against its key deliverables set out in the Business Plan. Whilst some measures did not achieve the target set the relevant teams are working diligently to recover time and ensure that programmes are delivered in line with expectations. 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 City Corporation's financial sustainability.

Appendices

- Appendix A Budget Monitoring Statement
- Appendix B Key Performance Indicator Table
- Appendix C Climate Action Strategy – Investment Property

Background Papers

- The City Surveyor The City Surveyor's Business Plan 2023-28 (CS 372/22)
- The City Surveyor Business Plan Progress Report 2023/24 Update (CS 341/23)

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