



## Investment Committee

**Date:** MONDAY, 2 DECEMBER 2024

**Time:** 2.00 pm

**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
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 3 October 2024.

**For Decision**  
(Pages 9 - 14)

4. **ACTION TRACKER**

To receive the Committee's public Action Tracker.

**For Information**  
(Pages 15 - 16)

5. **FORWARD PLAN**

To receive the Committee's Forward Plan.

**For Information**  
(Pages 17 - 20)

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

Joint Report of the City Surveyor and the Chamberlain.

**For Decision**  
(Pages 21 - 28)

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

Report of the Chamberlain.

**For Discussion**  
(Pages 29 - 36)

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

Report of the Chamberlain.

**For Discussion**  
(Pages 37 - 46)

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

Report of the City Surveyor.

**For Information**  
(Pages 47 - 52)

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 3 October 2024.

**For Decision**  
(Pages 53 - 58)

14. **NON-PUBLIC ACTION TRACKER**

To receive the Committee's non-public Action Tracker.

**For Information**  
(Pages 59 - 60)

15. **SALISBURY SQUARE DEVELOPMENT & FUTURE POLICE ESTATE  
PROGRAMME FUNDING STRATEGY (TO FOLLOW)**

Report of the Chamberlain.

**For Decision**

16. **INDEX LINKED & FIXED INTEREST GILTS AND INVESTMENT GRADE CORPORATE BONDS: SHORT LIST OF MANAGERS (TO FOLLOW)**  
Report of the Chamberlain.  
**For Decision**
17. **SUSTAINABILITY AND IMPACT INVESTING**  
Report of the Chamberlain.  
**For Decision**  
(Pages 61 - 72)
18. **CITY'S ESTATE DASHBOARD**  
Report of the Chamberlain.  
**For Information**  
(Pages 73 - 80)
19. **CITY SURVEYOR REVENUE BUDGETS (CITY FUND AND CITY'S ESTATE) – APPROVED REVISED BUDGET 2024/25 & ORIGINAL BUDGET ESTIMATES 2025/26**  
Joint Report of the City Surveyor and the Chamberlain.  
**For Decision**  
(Pages 81 - 86)
20. **DELEGATIONS REQUEST**  
Report of the City Surveyor.  
**For Decision**  
(Pages 87 - 90)
21. **PERFORMANCE MONITORING**  
**For Discussion**
- a) City's Estate Quarterly Monitoring Report (Pages 91 - 110)  
Report of Mercer.
- b) Performance Monitoring to 30 September 2024: City's Estate (Pages 111 - 132)  
Report of the Chamberlain.

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

Report of the Chamberlain.

**For Discussion**  
(Pages 133 - 138)

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

Report of the Chamberlain.

**For Discussion**  
(Pages 139 - 144)

24. **CLIMATE ACTION DASHBOARD UPDATE**

The City Surveyor to be heard.

**For Discussion**

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

Report of the City Surveyor.

**For Information**  
(Pages 145 - 146)

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

Report of the City Surveyor.

**For Information**  
(Pages 147 - 150)

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

Report of the City Surveyor.

**For Information**  
(Pages 151 - 154)

28. **REPORT OF ACTION TAKEN**

Report of the Town Clerk.

**For Information**  
(Pages 155 - 160)

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

30. **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 Thursday, 3 October 2024

Minutes of the meeting of the Investment Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Thursday, 3 October 2024 at 2.00 pm

### Present

#### Members:

Deputy Andrien Meyers (Chair)  
Shahnan Bakth (Deputy Chairman)  
Deputy Randall Anderson  
David Brooks Wilson (External Member)  
Deputy Henry Colthurst (Ex-Officio Member)  
Deputy Madush Gupta  
Steve Goodman OBE  
Deputy Christopher Hayward (Ex-Officio Member)  
Deputy James Thomson  
Philip Woodhouse  
Deputy Henry Pollard

### In Attendance

Deputy Marianne Fredericks  
Alderman Simon Pryke

#### Officers:

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

#### Also in attendance

Steve Turner	- Mercer
Charles Franklin	- Stanhope

#### 1. APOLOGIES

Apologies for absence were received from Nick Bensted-Smith, Claudine Blamey, Deputy Keith Bottomley and Alderman Alison Gowman.

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

The Town Clerk informed Members of several change to David Brook Wilson's standing register of interests. An updated form would be published online.

3. **MINUTES**

The public minutes and non-public summary of the meeting held on 25 July 2024 were approved as a correct record.

4. **FORWARD PLAN**

Members received the Committee's forward plan.

5. **ANNUAL TERMS OF REFERENCE REVIEW**

Members received a report of the Town Clerk concerning the Committee's terms of reference.

Members agreed that the terms of reference should be reviewed to provide clarity on the relationship with the Resource Allocation Sub-Committee.

Members discussed whether the Committee's composition should continue to include the two positions co-opted by the Committee from the Court, or whether these should be changed to positions appointed directly by the Court. Those supporting a change felt that it would be fairer to increase the number of places elected by the Court, while others felt that the current balance was appropriate as the co-option mechanism allowed the Committee to select Members based on investment experience. However, it was noted that Members standing for Court appointed positions were required to submit supporting statements, and that the Court should be trusted to make decisions based on these.

Following a vote, it was agreed that the composition should be amended to increase the number of Members appointed by the Court of Common Council

RESOLVED, that – Members instruct officers to return with a report setting out:

- The governance relationship between the Committee and the Resource Allocation Sub-Committee
- 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.

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

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

A Member, noting the difference between historic and projected inflation, asked officers to consider whether the risk scoring on SUR SMT 005 Construction and Service Contracts Price Inflation was correct and if it was an appropriate risk to be presented to the Committee, which was responsible for managing real estate investment rather than construction. He also did not think contractual failure was a significant risk. In reply, the City Surveyor said that the Investment

Committee was responsible for several construction projects and was still experiencing pressure due to market factors such as the after-effects of inflation from the Russian invasion of Ukraine, labour scarcities and ISG going into administration. Officers undertook to review the scoring level

A Member asked if the City Corporation could insure against contractual failure. In reply, the City Surveyor said that doing an interim valuation was more critical. It was also highlighted that the City Corporation was subject to public procurement processes which constrained its ability to put contingency measures in place.

A Member asked what ability the City Corporation had to recover fees from consultants, and if it kept a graded list of contractors. The Chamberlain replied that the City Corporation's critical control over this area was due diligence in the procurement process, which should raise any issues with contractors.

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. TREASURY MANAGEMENT OUTTURN 2023/24**

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 AUGUST 2024**

Members received a report of the Chamberlain concerning treasury management.

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

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

There were no questions.

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

There was no other business.

**11. 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.

12. **NON-PUBLIC MINUTES**

The non-public minutes of the meeting held on 25 July 2024 were approved as a correct record.

13. **INVESTMENT STRATEGY IMPLEMENTATION PLAN FOR FINANCIAL INVESTMENTS**

Members received a report of the Chamberlain concerning the financial investment portfolio.

14. **RECOMMENDATIONS TO RESOURCE ALLOCATION SUB-COMMITTEE**

Members received an oral update from the Chamberlain concerning asset allocation.

15. **LEADENHALL MARKET - ASSET STRATEGY**

Members received a report of the City Surveyor concerning Leadenhall Market.

16. **ORACLE PROPERTY MANAGER REPLACEMENT PROGRAMME - MRI HORIZON**

Members received a report of the City Surveyor concerning the City Corporation's property management system.

17. **DELEGATIONS REQUEST**

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

18. **PERFORMANCE MONITORING**

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

Members received the Quarterly Monitoring report for Q2 2024; this report was produced by Mercer.

18.2 **Performance Monitoring to 31 July 2024: City's Estate**

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

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

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

20. **REPORT OF ACTION TAKEN**

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

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

There was one question in the non-public session.

22. **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 3.43 pm**

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Chairman

**Contact Officer: Ben Dunleavy  
ben.dunleavy@cityoflondon.gov.uk**

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INVESTMENT COMMITTEE – Public Action Tracker – December 2024

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

\*Closed items will be removed from the tracker

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	2 December 2024	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>Risk Register Update for Investment Committee Dashboard</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 and City's Estate: Investment Property Monitoring half yearly report, including:</p> <ul style="list-style-type: none"> <li>• Vacant Accommodation Update</li> <li>• Rent Reviews/Lease Renewals</li> <li>• Arrears</li> </ul> <p>City Surveyor Revenue Budgets report Latest Approved 2024/25 and Original Estimates 2025/26</p> <p>CSD Business Plan – 2<sup>nd</sup> Quarter 2024/25 Progress Report.</p> <p>City Surveyor's Department Risk Register – 2nd Quarter Progress</p>	<p>City Fund Estate : 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>Draft New Business Plan 2025 – 2030</p> <p>Delegation Sheet</p>	<p>City Fund and City's Estate : Investment Property Monitoring half yearly report</p> <ul style="list-style-type: none"> <li>• Vacant Accommodation Update</li> <li>• Rent Reviews/Lease Renewals</li> <li>• Arrears</li> </ul> <p>Delegation Sheet</p>	<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 Surveyor Revenue Outturn 2024-25 to include as an Appendix : Revenue Works Programme 24/25 Progress</p> <p>CSD Business Plan – 4<sup>th</sup> Quarter Progress.</p> <p>Delegation Sheet</p>	<p>City Fund and City's Estate : Delegated Authorities - Decisions Update report</p> <p>Delegation Sheet</p>	<p>City Fund and City's Estate : Investment Property Monitoring Annual Report:</p> <ul style="list-style-type: none"> <li>• Vacant Accommodation Update</li> <li>• Rent Reviews/Lease Renewals</li> <li>• Arrears – Half yearly report</li> </ul> <p>City Surveyor Revenue Budgets (City Fund and City's Cash) – Latest Approved 2024/25 and Original Estimates 2025/26</p> <p>Draft New Business Plan 2022 – 2025</p> <p>Business Plan – 2<sup>nd</sup> Quarter Progress.</p> <p>City Fund &amp; City's Estate Revenue Works Programme – 24/25</p>

	Climate Action Dashboard  Delegation Sheet  Salisbury Square Funding Strategy					Progress Report (half yearly report)
Financial Investments	Sustainability and Impact Investing (OCIO)  Performance Monitoring report for City's Estate Financial Investments  Quarterly Investment report from Mercer (Investment Consultant)  Manager Selection – Gilts  Hampstead Heath Trust and Charities Pool Investment Performance Monitoring to 30 September 2024  Sir William Coxen Trust Fund Performance Monitoring to 30 September 2024	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)	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 Mid-Year Treasury Review	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	

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<b>Committee:</b> Investment Committee – For decision	<b>Dated:</b> 02/12/2024
<b>Subject:</b> Risk Register Update for Investment Committee	<b>Public report:</b> For decision
<b>This proposal:</b> <ul style="list-style-type: none"> <li>• <b>delivers Corporate Plan 2024-29 outcomes</b></li> </ul>	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
<b>Does this proposal require extra revenue and/or capital spending?</b>	No
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	N/A
<b>Report of:</b>	The City Surveyor/The Chamberlain (CS 295/24)
<b>Report author:</b>	Kate Limna, Sarah Port and Jenny Wong – Chamberlain’s Department John Galvin, 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 periodic basis. The Corporation’s Risk Management Strategy 2024 - 29 (RMS) defines this period as quarterly.

## **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 Corporation's Risk Management Strategy, 2024 - 2029 (RMS), 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.

### **Review of Risks**
















5. The method of assessing risk reflects the City of London's standard approach as defined in the RMS. 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. 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.
7. 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 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)

8. The Overarching Risk Register for the investment portfolio has been developed further and mitigating actions included for:
  - 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.
  
9. The Overarching Risk Register contains five risks which are summarised in Table 1 below and are ranked by their current risk score.
  
10. Officers have reviewed the Risk Register to establish whether the risk environment has changed, and risks have been reviewed and updated where necessary. Updates to the Risk Register are underlined throughout. Table 1 below provides a summary of the risks.

**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			
IC 02	External Economic Risk	12			
IC 03	Governance	4			
IC 04	Cashflow Management	8			
IC 05	Sustainability and Impact	4			

## 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)

The Department re-evaluated the risk scoring in October after receiving feedback from Members. Whilst the high levels of material price inflation seen earlier has abated, the City has yet to see a significant levelling in tender returns. Therefore, this risk remains as a Red risk. The department continues to collaborate with the Chamberlain's procurement team to encourage a larger pool of contractors to participate in bidding for projects and the use of Two Stage contracts aligned with

current market practices. The department will continue to regularly review this risk and to pursue mitigation strategies wherever possible.

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

The expertise and qualifications of construction consultants in the public sector frequently differ from those found in the commercial sector.

To mitigate this issue, the department is working in close partnership with the Procurement team, the legal department, and the Construction Category Board to ensure due diligence in the procurement process. Furthermore, the department is pursuing actions against consultants whose performance does not adhere to established quality standards. In some instances this may result in extended project timelines.

The department is now initiating market engagement at RIBA stage 3 rather than RIBA stage 4 to prevent unnecessary design and development efforts. The effects of this adjustment will be monitored in the upcoming months.

- 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 October which confirmed there remains considerable competition for attracting skilled property professionals, especially in the fields of Surveying and Project Management.

The department has conveyed these challenges at a corporate level and is actively contributing to the broader organisational pay and reward review (Ambition 25) to address this risk. It is important to note that this issue has also been recognised as a Corporate Risk (CR 39 Recruitment and Retention).

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

This risk pertains to the potential failure of a primary contractor or a principal sub-contractor.

The City of London Corporation has historically had limited control over the selection of those commissioned for work, particularly regarding the latter. In the event of a failure by either a main contractor or sub-contractor, there could be subsequent effects on warranties and the ability to pursue remedies for design defects.

To address this, the department is now conducting biannual assessments of contractor suitability, a practice that previously took place only at the start of a contract. This change is expected to prepare the City of London Corporation if a contractor encounters challenges.

Recent industry fluctuations have heightened the probability of this risk; therefore, its risk status continues to be classified as Red.



























- e. SUR SMT 016  
Investment Property Group Staffing and Capacity  
Current Risk Score 12 (Amber)

This risk pertains to the necessity for new skill sets and increased capacity within the Investment Property Group, driven by evolving corporate investment objectives, organisational needs, and market accessibility.

This risk has been de-escalated from Red 16 (Impact 4 Major x Likelihood 4 Likely) to Amber 12 (Impact 4 Major x Likelihood 3 Possible). This is following the agreement at Investment Committee (July) and Corporate Services Committee (September) of a reshaped Investment Property Team. Recruitment efforts are now underway. As noted in the Recruitment & Retention risk (SUR SMT 009), the misalignment with the total reward package offered at the City of London, and that of our commercial peers, may create challenges. This will be kept under review though the recruitment process. The recruitment and retention of suitably skilled individuals is integral to the effective fund management of the portfolio and the changing requirements of the market and the City Corporation.
















**Table 2: 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 and Service Contracts Price Inflation	16			
SUR SMT 006	Construction Consultancy Management	16			
SUR SMT 009	Recruitment and Retention of Property Professionals	16			
SUR SMT 011	Contractor Failure	16			
SUR SMT 016	Investment Property Group Staffing and Capacity	12			
SUR SMT 003	Investment Strategy Risk	12			
SUR SMT 012	Adjudication & Disputes	8			
SUR SMT 010	Insurance - Investment and Corporate Estates	8			

**Chamberlain (Corporate Treasury) Financial Investments (Appendix C)**

12. The financial Investments Risk Register contains five risks which are summarised in Table 3 below and are ranked by their current risk score.
13. 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 provides a summary of the risks.

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

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

## **Corporate & Strategic Implications**

### **Strategic implications**

14. 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**

15. 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**

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

### **Legal implications**

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

### **Risk implications**

18. Key risks are included in this report.

### **Equalities implications**

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

### **Climate implications**

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

### **Security implications**

21. None

### **Conclusion**

22. Members are asked to note the recent updates to the risk registers and the measures implemented by both the Chamberlain's Department, and City Surveyor's Department to reduce the probability and/or consequences of identified risks.
23. One risk managed by the City Surveyor's Department (SUR16 Investment Property Group Staffing and Capacity) has decreased in risk scoring since the last report (July) whilst the remaining risks were consistent with earlier periods.

### **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 – July 2024 Update (CS 170/24)
- The City Surveyor The City Surveyor's Departmental Risk Register – September 2024 Update (CS 248/24)

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## City of London Corporation Committee Report

<b>Committee(s):</b> Investment Committee – For Discussion Audit and Risk Management Committee – For Information	<b>Dated:</b> 2 December 2024 3 February 2025
<b>Subject:</b> Mid-Year Treasury Management Review 2024/25	<b>Public report:</b> For Discussion
<b>This proposal:</b> <ul style="list-style-type: none"> <li>• <b>delivers Corporate Plan 2024-29 outcomes</b></li> <li>• <b>provides statutory duties</b></li> <li>• <b>provides business enabling functions</b></li> </ul>	Diverse Engaged Communities; Dynamic Economic Growth; Leading Sustainable Environment; Vibrant Thriving Destination; Providing Excellent Services; and Flourishing Public Spaces
<b>Does this proposal require extra revenue and/or capital spending?</b>	No
<b>If so, how much?</b>	£N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	N/A
<b>Report of:</b>	The Chamberlain
<b>Report author:</b>	Adam Buckley, Senior Accountant - Treasury

### Summary

The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy for 2024/25 was approved by the Investment Committee and the Finance Committee in February 2024 and by the Court of Common Council on 7 March 2024 and came into effect on 1 April 2024.

Under CIPFA’s Code of Practice on Treasury Management, which was adopted by the Court of Common Council on 3 March 2010, there is a requirement to provide a mid-year review. The main points to note are as follows:

- The strategy has been reviewed to take account of economic and market developments over the first half of the year, particularly with regard to changes in interest rate expectations.
- The annual Consumer Prices Index (CPI) was 2.3% in April 2023, falling to 2.0% in May, rebounding marginally to 2.2% in July and August as expected, due to energy prices, before falling to 1.7% in September. With headline inflation lower, the Bank of England’s Monetary Policy Committee (MPC) initiated its loosening

cycle in August 2024 with a 25bps Bank Rate cut from 5.25% to 5.00%, and this rate was maintained at the September meeting. More recently, following the Autumn Statement and the US Presidential Election, the MPC continued its loosening cycle with a 25bps Bank Rate cut to 4.75% at its November meeting in line with market expectations. The revised path for interest rates over the medium term provided by Link Asset Services forecasts the Bank Rate to be 50bps - 75bps higher than forecast in May 2024, with an expected decline to 4.50% by March 2025 and 3.75% by March 2026, where the rate will remain until a further decrease to 3.50% by December 2026 where it will plateau.

- Under this scenario of falling interest rates, investment returns as a whole are expected to decrease over the rest of the financial year and the medium term, though less aggressively than previously forecast, as maturing investments are reinvested at reduced rates. However, as yields decrease, the capital value of the Corporation's (City Fund) bond fund investments increase as bond prices have an inverse relationship with interest rates (i.e. when interest rates decrease, bond prices increase and vice versa), and hence the capital value appreciates, and total returns during the period have increased.
- As at 30 September 2024, the City had cash balances totalling £1,151.8m. Most of the balances are held for payment to third parties or are restricted reserves. Cash balances are expected to reduce meaningfully over the medium term as spending on the capital programme increases.
- In light of the above, the Corporation's priorities remain as security and liquidity (ahead of yield). Given the current risk environment, officers do not recommend that the Corporation relaxes its risk appetite for the remainder of the year.
- No approved counterparty limits were breached during the first half of 2024/25 and the City has experienced no liquidity concerns.
- No external borrowing has been entered into by City Fund and it is not anticipated that City Fund will require any external borrowing during the remainder of the financial year.

### **Recommendation(s)**

Members are asked to note the report.

## **Main Report**

### **Background**

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

2. The second main function of the treasury management service is the funding of capital expenditure plans. In September 2019 the City issued fixed rate market debt on behalf of City's Cash via a private placement, which will support that entity's long term capital financing plans. The first tranche of borrowing proceeds of £250M were received in September 2019. The second tranche of borrowing proceeds of £200M were received in July 2021. The City has not undertaken any new borrowing in the first half of this year and does not at this stage anticipate any external borrowing in the remainder of 2024/25.
3. The City's treasury management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021) which was adopted by the Court of Common Council on 3 March 2010.
4. The City defines its treasury management activities as:

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

## **Economic Update**

5. UK headline consumer prices inflation (CPI) remained around the Bank of England's (BoE) 2.0% target, falling from an annual rate of 2.3% in April 2023 to 2.0% in May, rebounding marginally to 2.2% in July and August as expected, due to energy prices, before falling to 1.7% in September. With headline inflation lower, the BoE's Monetary Policy Committee (MPC), with a 5-4 vote, initiated its loosening cycle in August 2024 with a 25bps interest rate cut from 5.25% to 5.00%.
6. The Bank Rate was maintained at 5.00% at the September MPC meeting, in line with market expectations, at an 8-1 vote with the lone dissenter voting for a further 25bps reduction. In the accompanying statement, the Committee doubled down on its commitment to a gradual path of rate reduction, stating that "*...in the absence of material developments, a gradual approach to removing policy restraint remains appropriate.*"
7. More recently, following the Autumn Statement and the US Presidential Election, the MPC continued its loosening cycle with a 25bps interest rate cut to 4.75% at its November meeting in line with market expectations, at an 8-1 vote, with one voting for an increase to 5.0%. In the accompanying statement, the Committee repeated the previously held position on a gradual rate reduction, while it noted that there had been continued progress in disinflation.
8. Over the period (1 April to 31 September), the UK 10-year gilt yield declined from 4.32% in May 2024 to 4.02% following the Bank Rate cut in August 2024, though the market response was muted following the decision to hold the Bank Rate at 5.00% in September, with the 10-year yield rising by only 5bps after the announcement – likely as markets had priced in a 25% chance of a rate cut prior

to the meeting. The sentiment in the near term is a possible rise in Gilt yields as UK policymakers remain cautious due to persistent inflation concerns.

9. According to the Office for National Statistics (ONS) Gross Domestic Product (GDP) grew by 0.6% in the quarter April to June 2024 following a 0.7% expansion in the first three months of the year. However, the economy stagnated in July with no growth, largely as a result of a sharp drop in manufacturing output which was not conducive of the new Labour Government's plan to accelerate the pace of growth. However, whilst there was 0.2% GDP growth in August with all three main sectors, services, production, and construction expanding by 0.1%, 0.5% and 0.4% respectively, growth remained sluggish.
10. Looking ahead, following the Policy Announcements in the Autumn Statement, including the anticipated major investment in the public sector, according to the Bank of England this is expected to lift UK real GDP to 1.7% by 2025 before growth moderates in 2026 and 2027. However, whether the Government's policies lead to a material uptick in growth primarily focuses on the logistics of fast tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.
11. Additionally, there are increased concerns around the future path of inflation following the Autumn Budget and the outcome of the US Presidential election on 6 November. The introduction/extension of US tariffs following the US presidential election, as well as further tax cuts and an expansion of the current US budget deficit, may prove inflationary, with any change in US Treasury yields likely to impact UK gilt yields. The Bank of England have the CPI measure of inflation hitting 2.5% year-on-year by the end of 2024, 2.7% in Q4 2025, 2.2% Q4 2026, before dropping to 1.8% in 2027.
12. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions.

### **Treasury Management Strategy Statement and Annual Investment Strategy Update**

13. The Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 was approved by the Investment Committee (12 February 2024), the Finance Committee (20 February 2024) and the Court of Common Council (7 March 2024).
14. Having considered the strategy, officers believe that it remains appropriate for the second half of 2024/25 and do not recommend any fundamental changes are made.

### Investment Strategy



15. The Corporation held £1,151.8m of investments as at 30 September 2024 (£901.2m at 31 March 2024). Most of the balances are held for payment to third parties or are restricted reserves; they also include debt issued by City's Cash in 2019/20 and in the first half of 2021/22. As the Corporation's capital programme progresses, cash balances are projected to decline as internal borrowing increases (see paragraph 27 below). The weighted average rate of return on the City's treasury management portfolio at the end of September was 5.85%.
16. The weighted average rate of return was boosted by the short-dated bonds (i.e. *non-specified investments*) as their 12 month-trailing returns reached over 9% at the end of September 2024 (the weighted average rate of return excluding short-dated bonds funds was 5.28%). Bond prices have an inverse relationship with interest rates (i.e. when interest rates increase, bond prices decrease and vice versa), and hence there has been a corresponding increase in short-dated bond fund returns, as a year earlier interest rates had just reached a peak of 5.25% as the Bank of England continued its restrictive monetary policy to ease inflationary pressures, and as interest rates then plateaued and have now begun to decrease the total returns during the period increased.
17. As non-specified investments, only the City Fund will have exposure to the short-dated bond funds (as ratified by the Court of Common Council in December 2022), and as the IFRS9 override is still in place, any capital gains/losses will continue not to be taken through the General Fund.
18. In accordance with the CIPFA Treasury Management Code of Practice, the Corporation's investment priorities are:
  - Security of capital
  - Liquidity
  - Yield
19. The Corporation aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Corporation's risk appetite. In the current economic climate, it is considered appropriate to retain sufficient capacity to cover planned and potentially unanticipated cash flow needs, but also to seek out value by placing deposits with high credit rated counterparties where possible. The current investment strategy remains appropriate for facilitating these aims by limiting lending to only high-quality borrowers whilst also not being so restrictive as to create an overconcentration of exposure to any single counterparty.
20. At the outset of the year, the Corporation estimated the Bank Rate to have peaked at 5.25%, where it would remain until the second half of 2024, then incrementally reduce to 3.00% in the second half of 2025. Since the original strategy was written inflation has remained "sticky", and the larger than expected overall package in the Autumn budget and the potential impact it could have on growth and inflation in the coming years has seen markets dial back their rate cut expectations.
21. Prior to the Autumn budget and the MPC's November meeting, the revised path for interest rates over the medium term provided by Link Asset Services forecast

the Bank Rate to decline to 4.00% by March 2025 and 3.25% by September 2025, where the rate would be maintained until a further decrease by September 2026, leaving rates at around 3.00% for the rest of the 2026/27 financial year.

22. Following the Autumn budget announcement, the outcome of the US Presidential election on 6 November, and rate cut by the MPC on 7 November, Link Asset Services released a further revised interest rate forecast on 11 November. In summary, the Bank Rate is now forecast to be 50bps – 75bps higher than was previously the case. Their view is that the policy announcements in the Autumn budget will be inflationary in the near term.
23. The latest Link Asset Services forecast now projects the Bank Rate will decline to 4.50% by March 2025, 4.00% by September 2025, and 3.75% by March 2026, where the rate will maintain until a further decrease by December 2026, leaving rates at around 3.50% in 2027 (see Appendix 1). Under this scenario, investment returns as a whole are still expected to decrease over the rest of the financial year and the medium term, though less aggressively than previously forecast.
24. Any movement below a 4.00% Bank Rate will be dependent on inflation data in the second half of 2025. Though bank rates are forecast to fall back over the next two to three years as inflation dampens, key risks to the Bank Rate forecast at present from domestic and international factors include:
  - Inherent risks in the public sector investment by the UK Government which are expected to be inflationary in the near term, but may lead to an increased prospect of further government borrowing and tax rises, along with tepid GDP performance if progress is blocked;
  - If US policy follows the key policies set out in the presidential campaign, in particular the threat of implementing tariffs on goods and services coming into the US, this would likely have an inflationary impact across the global economy, and hence lead to interest rates remaining higher for longer; and.
  - Continuing geo-political risks, in particular in Eastern Europe and the Middle East.
25. In light of the above, the prime objective is to ensure cash is safe and available when needed, and the Corporation's priorities remain as security and liquidity, ahead of yield. It is not recommended that the Corporation relaxes its creditworthiness criteria at this stage to protect income as this would contradict the primary obligation of keeping the Corporation's cash assets secure, before considering yield.
26. No approved counterparty limits were breached during the first half of 2024/25 and the City has experienced no liquidity concerns. During the year, a new counterparty was onboarded, Standard Chartered Bank. The Treasury Management Strategy remains appropriate in enabling the City to pursue its prime objectives of security and liquidity, followed by yield.

## Borrowing Strategy

### *City Fund*

27. The City Fund has not acquired any external borrowing in the first half of the year and it is not anticipated that any external borrowing will be required in the remainder of 2024/25.
28. Although the City Fund is forecast to have a growing capital financing requirement forecast in the years ahead, it expects to be able to fund this in the short term via internal borrowing. Entering into new external borrowing now would increase the Corporation's revenue pressures in the immediate term (i.e. there would be a cost of carry).

### *City's Cash*

29. City's Cash issued £450m of market debt in 2019/20, £200m of which was deferred for receipt until 2021/22. The Corporation took receipt of these borrowing proceeds in July 2021 and they were held in the short term investments portfolio until required by the capital programme. By deferring receipt of this borrowing until 2021, the City avoided paying additional interest costs whilst at the same time securing fixed rate borrowing on competitive terms. There are no plans to undertake any further borrowing on behalf of City's Cash in the second half of the year at this stage, but this will be monitored by officers as the Medium term Financial Plan (MTFP) is finalised.

## **Conclusion**

30. The City has effectively executed the 2024/25 Treasury Management Strategy during the first six months of the year considering the original strategy against the current treasury management environment, officers judge that the investment strategy remains appropriate for the second half of the year.

## **Appendices**

- Appendix 1 – Interest Rate Forecasts 2024/25 – 2027/28

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## City of London Corporation Committee Report

<b>Committee(s):</b> Investment Committee – For Discussion	<b>Dated:</b> 2 December 2024
<b>Subject:</b> Treasury Management Update as at 31 October 2024	<b>Public report:</b> For Discussion
<b>This proposal:</b> <ul style="list-style-type: none"> <li>• <b>delivers Corporate Plan 2024-29 outcomes</b></li> <li>• <b>provides statutory duties</b></li> <li>• <b>provides business enabling functions</b></li> </ul>	Diverse Engaged Communities; Dynamic Economic Growth; Leading Sustainable Environment; Vibrant Thriving Destination; Providing Excellent Services; and Flourishing Public Spaces
<b>Does this proposal require extra revenue and/or capital spending?</b>	No
<b>If so, how much?</b>	£N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	N/A
<b>Report of:</b>	The Chamberlain
<b>Report author:</b>	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 October 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 3 October 2024, when they received a report outlining the treasury position as at 31 August 2024.

The treasury management investment portfolio had a market value of £1,147.6m as at 31 October 2024, which is an increase of £13.1m from the balance previously reported as at as at 31 August 2024 (£1,134.5m).

The Consumer Prices Index (CPI) rose by 1.7% in the 12 months to September 2024, down from 2.2% in the 12 months to both July and August 2024. The Bank of England’s Monetary Policy Committee (MPC) voted to maintain interest rates at 5.00% at its meeting in September 2024, though rates were reduced by 25bps to

4.75% at the November MPC. The market expectation is for a further 25bps rate cut in Q1 of 2025, reaching 4.5% 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 October 2024.

### Current Position

1. The treasury management investment portfolio had a market value of £1,147.6m as at 31 October 2024, which is an increase of £13.1m from the balance previously reported as at as at 31 August 2024 (£1,134.5m). This increase is principally due to:-
  - financial investment redemptions in the period totalling £17.0m;
  - receipt from the sale of 55, 57-61, and 85/87 Charterhouse St of £16.4m;
  - receipt from the sale of 59 ½ Southwark St of £13.5m; offset by
  - Museum of London drawdown payments (£23.6m);
  - expenditure on Major Projects (£15.2m); and
  - payments for the purchase of 2-4 Eastcheap (£2.5m).
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.

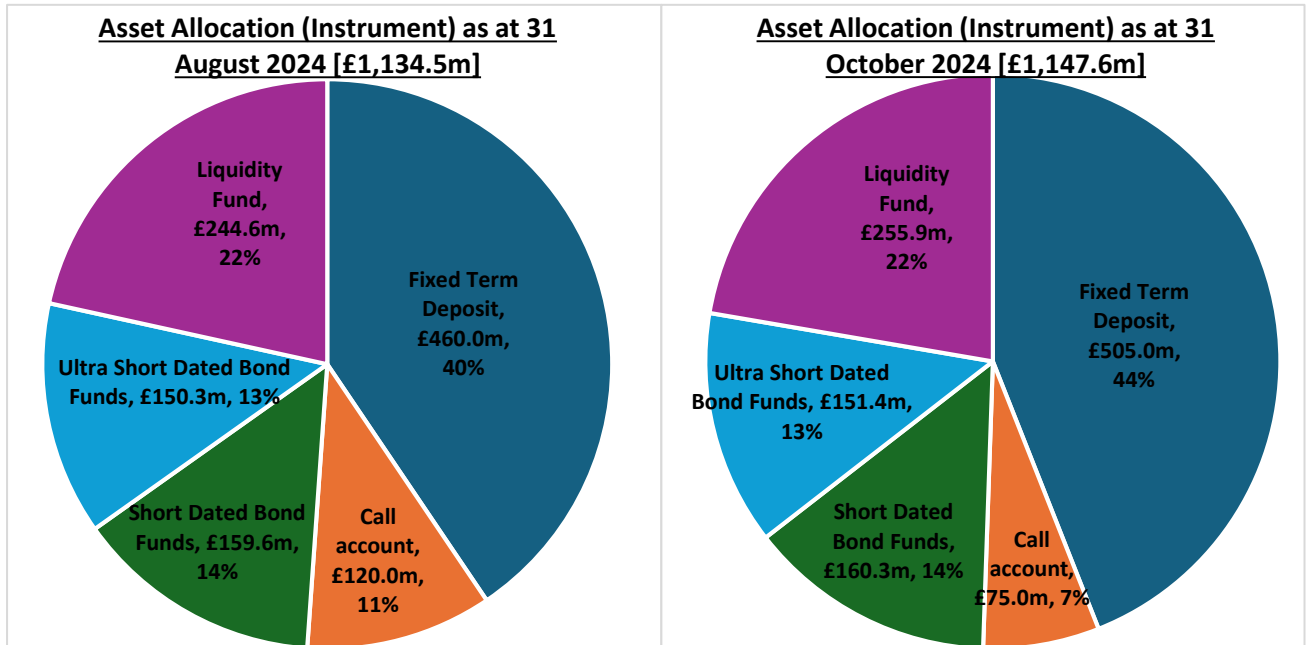
### Asset Allocation

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 August 2024 and 31 October 2024 is set out in Figure 1 overleaf.

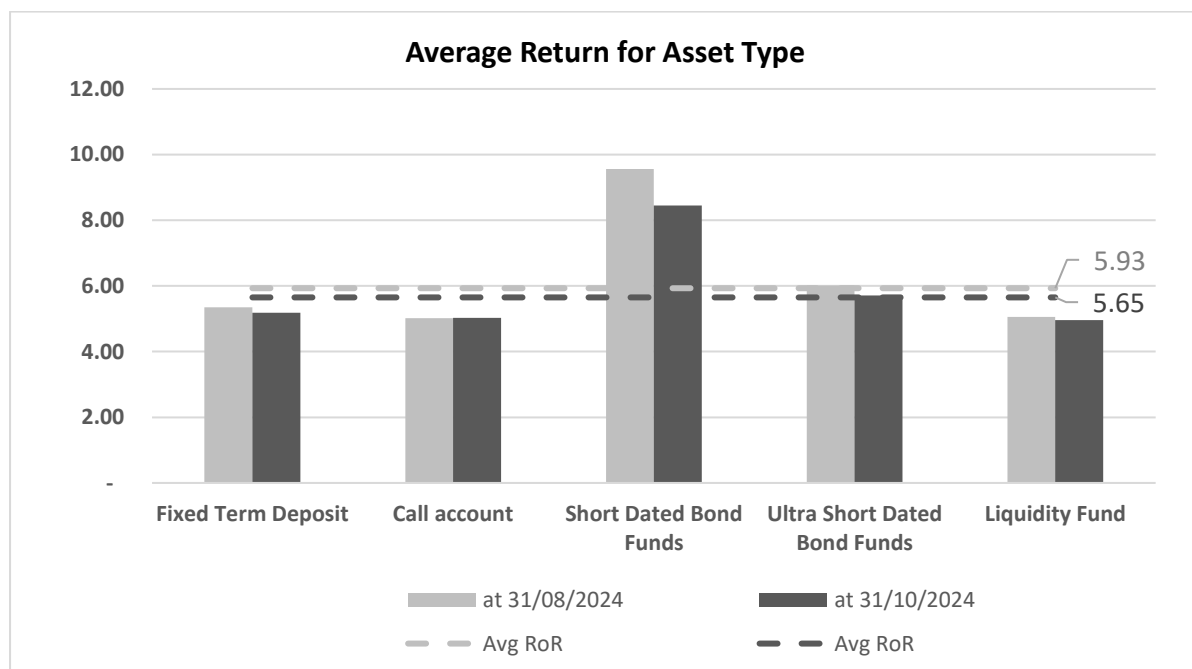
**Figure 1: Asset allocation as at 31 August 2024 and 31 October 2024**



5. As at 31 August 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 (44%); a rise of £45m from the previous reporting date, as cash from a maturing notice account investment was reinvested as a fixed term deposit. Liquidity funds make up around 22% of the portfolio; these balances are very liquid and can be accessed on the day. Notice accounts now make up 7% of the portfolio, as maturing cash from a variable rate notice account was reinvested into a fixed term deposit for a fixed rate.
6. The ultra-short dated bond funds account for 13% 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 August 2024 and 31 October 2024 is shown overleaf in Figure 2. Further analysis on the composition of the portfolio as at 31 October 2024 is provided in the Monthly Investment Report at Appendix 2, which demonstrates the average rate of return for the portfolio as at 31 October 2024 is 5.65% (31 August 2024: 5.93%). 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 August 2024 and 31 October 2024**



### Performance

8. The Consumer Prices Index (CPI) rose by 1.7% in the 12 months to September 2024, down from 2.2% in the 12 months to both July and August 2024, and well below its peak of 11.1% in October 2022.
9. The Bank Rate was maintained at 5.00% at the September MPC meeting, in line with market expectations. All members of the MPC bar one voted to keep Bank Rate at 5.00%, with the lone dissenter voting for a further 25bps reduction. In the accompanying statement, the Committee doubled down on its commitment to a gradual path of rate reduction, stating that "...in the absence of material developments, a gradual approach to removing policy restraint remains appropriate."
10. More recently, bank rate reduced by 25bps at the November MPC meeting to 4.75%, in line with market expectations. Again, there was just one lone dissenter, with all other MPC members voting unanimously for the change. In the accompanying statement, the Committee repeated the previously held position on

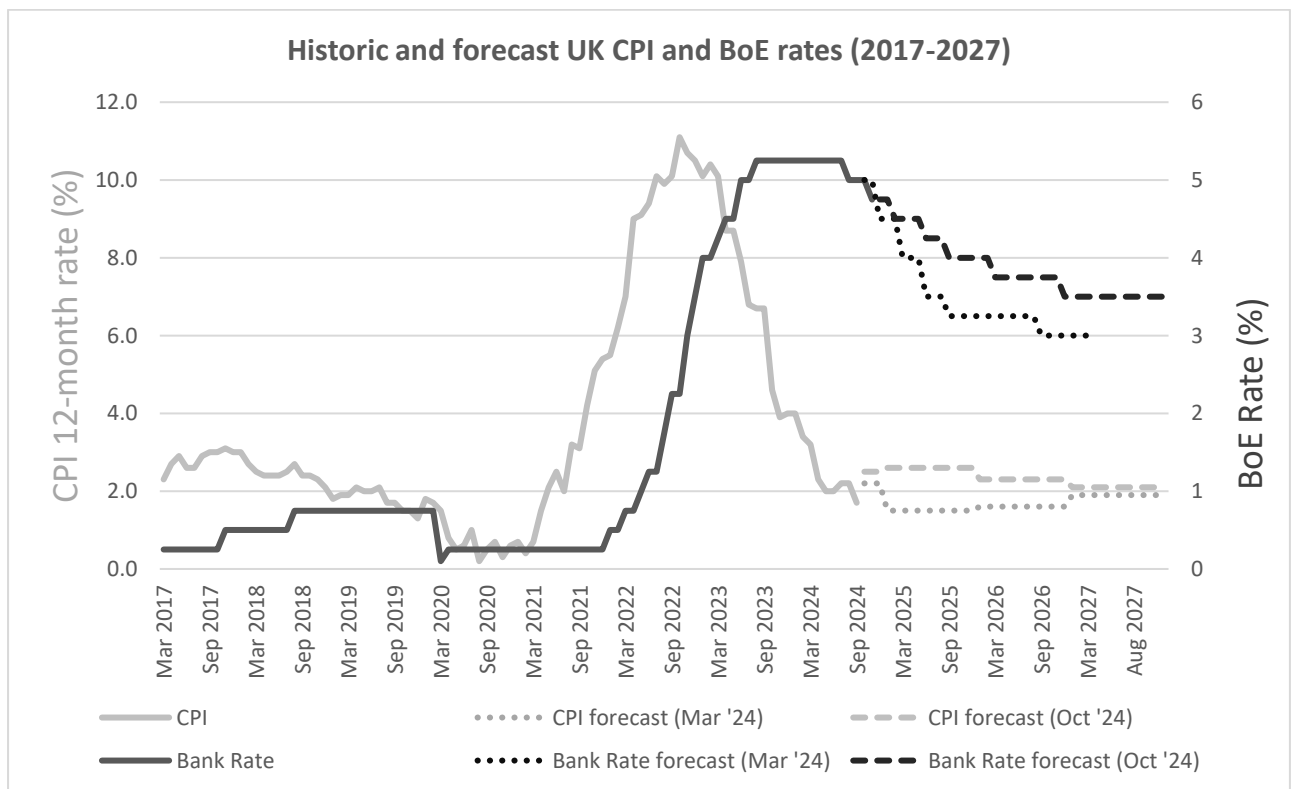


a gradual rate reduction, while it noted that there had been continued progress in disinflation.

11. Looking ahead, there are increased concerns around the future path of inflation following the Autumn Budget. The Bank of England have the CPI measure of inflation hitting 2.5% year-on-year by the end of 2024, 2.7% in Q4 2025, 2.2% Q4 2026, before dropping to 1.8% in 2027. LINK, our treasury management consultants, released a revised interest rate forecast on 11 November following the rate cut by the MPC on 7 November, and they share the Bank of England's view that Autumn budget will be inflationary in the near term. Their forecast is for bank rate to be 50bps – 75bps higher than was previously the case, with bank rate to decline to 4.50% by March 2025, 4.00% by September 2025, and 3.75% by March 2026, where the rate will be maintained until a further decrease by December 2026, leaving rates at around 3.50% in 2027. 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 LINK) 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:

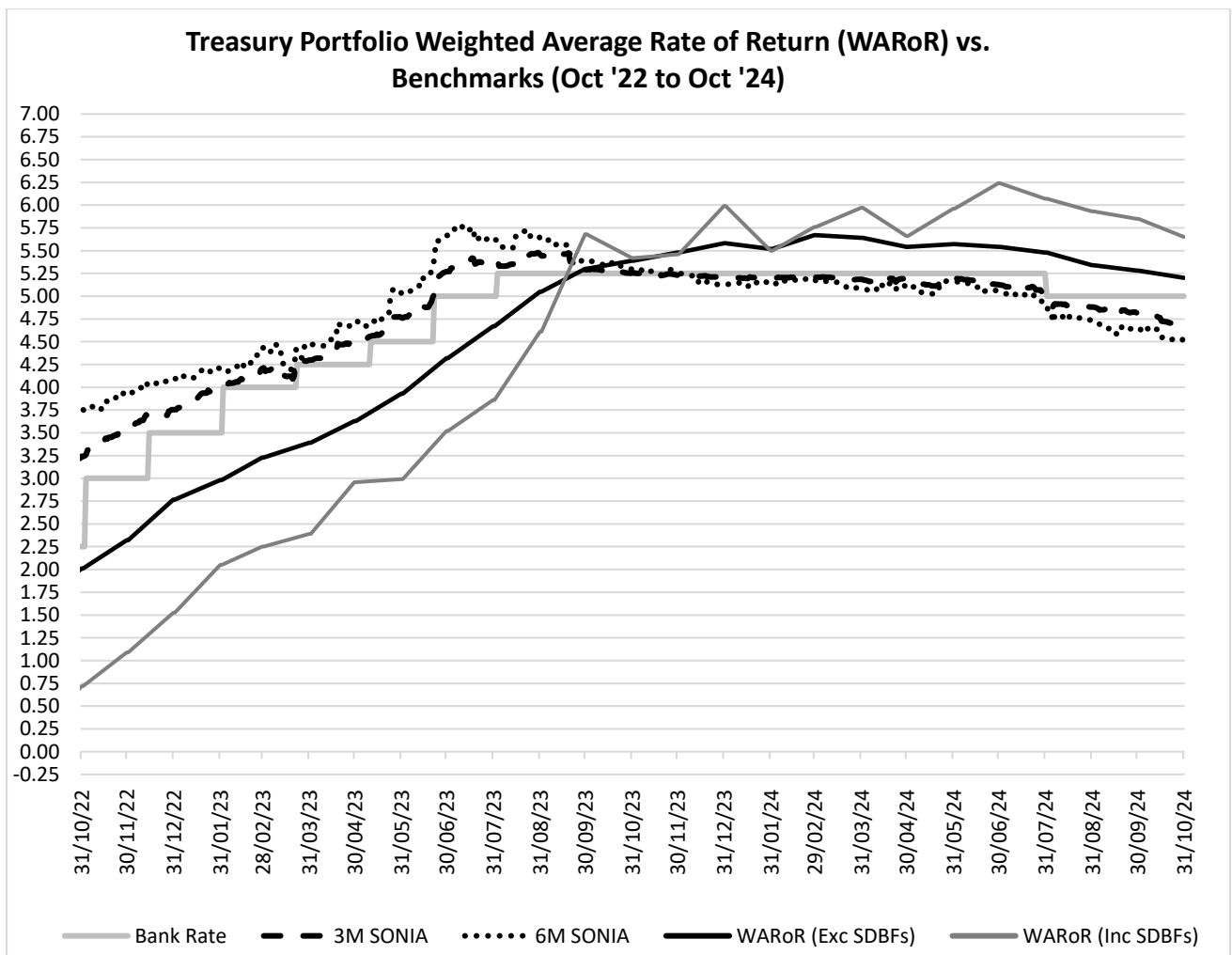
- a. As yields increase, the capital value of the Corporation's bond fund investments decline (i.e. when interest rates increase, bond prices decrease and vice versa). These investments are exposed to interest rate risk which

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.

**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 have 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 market expectation that the MPC's restrictive policy stance will continue to loosen over the remainder 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 October 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. 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.
19. 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. 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. 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 October 2024**

<b>Fund</b>	<b>1 Month Return (31/09/2024 to 31/10/2024)</b>	<b>2 Month Return (31/08/2024 to 31/10/2024)</b>	<b>12 Month Return (31/10/2023 to 31/10/2024)</b>
Federated Hermes Sterling Cash Plus Fund	0.39%	0.82%	5.37%
Aberdeen Standard Liquidity Fund Ultra Short Duration Sterling	0.40%	0.81%	5.61%
Payden Sterling Reserve Fund	0.11%	0.59%	5.90%
L&G Short Dated Sterling Corporate Bond Index Fund	-0.29%	0.33%	8.03%
Royal London Investment Grade Short Dated Credit Fund	-0.31%	0.54%	8.86%

21. 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, has had a positive effect on these short dated bond funds total returns over the last 12 months.
22. 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.
23. 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.
24. 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 4.84% and 4.10% respectively as at the end of September 2024. The interest from these investments is distributed quarterly for Royal London and half yearly for L&G.

#### Interest on average cash balances

25. 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 October 2024**

	<b>2024/25 Original Budget</b>	<b>2024/25 Forecast Outturn</b>	<b>2024/25 Better / (Worse)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>City Fund</b>	<b>28,900</b>	<b>42,755</b>	<b>13,855</b>
<b>City's Estate</b>	<b>(770)</b>	<b>1,405</b>	<b>2,175</b>
<b>Total City Fund &amp; City's Estate Interest on average cash Balances</b>	<b>28,130</b>	<b>44,159</b>	<b>16,029</b>

26. Income from interest on *average cash balances* is currently forecast to exceed budget by £16.0m, 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.

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

#### Cash Flow Forecast

28. 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. 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. Following ratification of this advice at the Resource Allocation Sub Committee (RASC) held at the end of October 2024 the cashflow is being finalised.

#### **Conclusion**

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

30. 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 5.00% at its September meeting, and more recently 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 LINK, our investment consultants, currently forecasting a decrease to 4.50% by March 2025.

31. 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 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.
32. The 12 month returns on the Corporation's Short dated bond fund investments remain strong, as yields continued to soften (meaning prices rose) as inflationary pressures ease as markets react to evolving monetary policies and major election results. 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 October 2024
- Appendix 2: Monthly Investment Analysis Review October 2024
- Appendix 3: Treasury Management Counterparties 2024/25: Economic, Social & Governance (ESG) Checklist

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## City of London Corporation Committee Report

<b>Committee(s)</b>	<b>Dated:</b>
Investment Committee – For information	2 December 2024
<b>Subject:</b> City Surveyor’s Business Plan 2024-29 - Quarter 2 2024/25 Update	<b>Public report:</b> For information
<b>This proposal:</b> - <b>Delivers Corporate Plan 2024-29 outcomes</b>	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b>	The City Surveyor (CS.291/24)
<b>Report author:</b>	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 1<sup>st</sup> half of the year (April 2024 to September 2024) against the 2024-29 Business Plan. A similar report will be presented to Members of Resource Allocation Sub Committee (CS.293/24).

In the 2024/25 period, the department will evaluate its business plan's progress through seventeen key performance indicators (KPIs), with fourteen of these being monitored by this Committee. Among these indicators, six have achieved their targets (green), two are below target (amber), and two are classified as underperforming (red). At the time of the writing this report, the performance rating for one measure is pending confirmation, and three additional measures will be presented to this Committee later in the year.

The City Surveyor’s 2024/25 quarter 2 budget outturn (Appendix A) reveals that the department is forecasting an overspend of £970k (3.2%) against a total budget of £30.1m for City Fund and City’s Estate services. When City Bridge Foundation (CBF) services are included, this decreases to an overspend of £735k (2.2%) against a total budget for the year of £33.7m.

### 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 first half of 2024-25 (April to September) against the 2024-29 Business Plan.
2. The department's business plan outlines seventeen Key Performance Indicators (KPIs). Investment Committee (IC) oversee the progress against fourteen of these measures, whilst Resource and Allocations Sub Committee (RASC) oversee twelve and Markets Board oversee two.
3. Performance is assessed on a traffic light basis (RAG), where red denotes a high risk of non-attainment, amber indicates some concern, whilst green denotes the measure being on/ahead of target.

### **Current Position**

4. This report provides the latest budget monitoring statement which is set out in Appendix A. The full list of KPIs, and their current performance is noted in Appendix B.
5. A separate monitoring report on the risks within the department is also circulated for this meeting.

### **Key Data**

#### **Financial Statement**

6. The budget monitoring statement for quarter 2 (Appendix A) shows that the City Surveyor is forecasting an overspend of £970k (3.2%) against a total budget for the year of £30.1m for his City Fund and City's Estate services. When City Bridge Foundation (CBF) services are included, this decreases to an overspend of £735k (2.2%) against a total budget for the year of £33.7m.
7. The main reasons for this forecast are some residual Target Operating Model (TOM) savings yet to be realised, overspends on the departmental and Guildhall salary budgets due to the assumed vacancy factor not being met, and budget pressures on Smithfield Market because of the closure of the Poultry Market. These overspends are partially offset by savings on the corporate facilities management contract arising from rebate payments received, and improved commercial income performance at the Central Criminal Court. The City Surveyor continues to examine his budgets to see if further savings can be made to reduce the forecast year-end overspend.
8. On a more positive note, rental income which is shown under central risk, reflects an overall surplus of £1.3m compared to the original budget for City's Estate and City Fund Estate. This is primarily attributed to City's Estate where the main reason for the higher forecast income is due to tenants not exercising their break clause option across a few properties, and new leases starting earlier than anticipated.



## Quarter 2 2024/25 update

9. The table below provides an 'at a glance' assessment of the department's performance through the first half of the 2024/25 reporting year.

Status <sup>1</sup>	Green	Amber	Red	TBC	N/A
Investment Committee	6	2	2	1	3
Overall (including non-IC measures)	8	2	2	2	3

Of the fourteen measures presented to this Committee, six are on track (green), two are behind schedule (amber), and two are significantly behind target (red). At the time of this report's preparation, one KPI remains outstanding which will be reported at quarter 3. Additionally, three more measures will be evaluated and reported to this Committee later in the year.

10. The red and amber KPI's relevant to this committee are set out below.

### a. **KPI.4 Minimise Arrears**

The objective of this KPI is to recover money quickly and efficiently ensuring total arrears are no more than 2% of the total income invoiced by end of 2024/25.

The arrears position as of 28 September 2024 is £8,002,471 which is 4.8% of the total annual billing (£166,369,776) (Red).

This figure excludes cases of historical credits where payment plans are in place (c£800k of debt). However, the total arrears figure includes debts actively pursued, which are disproportionately impacting the total. The rise in arrears this quarter may partly stem from technical problems resulting in delays in generating and sending June invoices and reminders, which have now been addressed.

To improve performance the Department continues to finalise additional payment plans and similar arrangements with tenants, and review cases for expeditious referral to the Comptroller & City Solicitor's (C&CS) Department. Now that Horizon is operational both Chamberlain's, C&CS and the Department will review the Corporation's rent collection processes and procedures. It is expected that the target will be met at the end of the financial year.

### b. **KP1.12 – Property Contract Performance Compliance**

This indicator provides an overall assessment of our suppliers' performance against their contract measures. This is across eight criteria spanning both operational performance and key City of London objectives.

Target – 80%

Performance – 67% (Red)

CBRE's performance in innovation, continuous improvement, and environmental and social initiatives has lagged this quarter which has negatively impacted the overall assessment of our suppliers' performance. The Department remains

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<sup>1</sup> Red = High Risk of Failure or Not Achieved; Amber = Some Concern; Green = On Target or Achieved.

committed to rigorous contract performance monitoring across all lots and ensures contractors pay service credits when services fail to meet contractual standards.

It should be recognised that the Integrated Facilities Management (IFM) contracts have now been in place 18 months against a 5+5-year contract term, and performance is satisfactory for this stage in the tenure.

**c. KPI.16 – Markets – Each Market’s outstanding debt as a percentage of their total invoice income (excluding 0-30 days invoices)**

This indicator assesses the level of debt at Billingsgate, Smithfield and New Spitalfields Markets and includes Covid arrears.

Target – Less than 1.5%

Performance – 5% (Amber)

The Amber rating is a direct result of a single debtor at Billingsgate who is responsible for a significant proportion of this debt. If this debt was excluded, the total arrears from various smaller debtors would decrease to 1.88%. Furthermore, at New Spitalfields, there is an active Covid debt repayment plan, which is on track to be settled by October 2025. The remaining amount of £240k comprises of multiple smaller, less aged debt and is being pursued.

The department follows rigorous credit control processes, using appropriate escalation channels in collaboration with Chamberlain’s and Comptroller and City Solicitor’s Departments to ensure the payment of arrears.

**d KPI.7 – 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 – 37% (Amber)

It has been noted in prior communications to this Committee that more than 60% of the department's active projects commenced in 2020 or earlier, suggesting that their progress has been significantly impacted by COVID-19. These projects experienced extended periods of reduced site capacity and productivity, along with notable inflation in construction costs. As a result, a greater number of projects have exceeded their expected timelines and budgets. Although the execution of current projects continues to be robust, the backlog of older projects has adversely affected overall performance.

## **Corporate & Strategic Implications**

### **Strategic implications**

11. The City Surveyor’s Department is dedicated to advancing the objectives outlined in the Corporate Plan.
12. 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.

13. 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, and the City's Corporate Property Asset Management Strategy for 2020-2025.

### **Financial implications**

14. Financial information is contained in Appendix A and noted in the report.

### **Resource implications**

15. The department is diligently exploring various strategies to address the primary challenges it faces. It has identified potential avenues to improve revenue and capital inflows for the organisation and has developed business cases to progress these.

### **Legal implications**

16. None

### **Risk implications**

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

### **Equalities implications**

18. None.

### **Climate implications**

19. 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**

20. None

### **Conclusion**

21. Overall, the department has made steady progress on the key deliverables outlined in the Business Plan during the second quarter.
22. Whilst two measures were classified as underperforming, the relevant teams are working diligently to ensure performance returns to expectations. Whilst the department's local risk budget position is challenging, 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

## **Background Papers**

- The City Surveyor    The City Surveyor's Business Plan 2024-29

Departmental Performance & Services  
City Surveyor's Department

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