

INVESTMENT COMMITTEE
Friday, 22 September 2023

Minutes of the meeting of the Investment Committee held on Friday, 22 September
2023 at 2.00 pm

Present

Members:

Deputy Andrien Meyers (Chair)
Shahnan Bakth (Deputy Chairman)
Nicholas Bensted-Smith
Alderman Alison Gowman
Deputy Madush Gupta
Deputy Christopher Hayward
Deputy Randall Anderson
Deputy Henry Pollard
Deputy James Thomson
Deputy Philip Woodhouse

Officers:

Caroline Al-Beyerty	- Chamberlain
Paul Wilkinson	- City Surveyor
Adam Buckley	- Chamberlain's Department
John James	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
Sarah Port	- Chamberlain's Department
Priya Nair	- Chamberlain's Department
Harinder Thandi	- Chamberlain's Department
John Galvin	- City Surveyor's Department
Tom Leathart	- City Surveyor's Department
Graeme Low	- City Surveyor's Department
Robert Murphy	- City Surveyor's Department
Neil Robbie	- City Surveyor's Department
Rachel Scott	- City Surveyor's Department
Simi Shah	- Innovation and Growth
Ben Dunleavy	- Town Clerk's Department

Also in attendance

Lucy Tusa	- Mercer
Charles Franklin	- Stanhope
James Horden	- Stanhope

1. APOLOGIES

Apologies for absence were received from Deputy Simon Duckworth and David Brooks Wilson.

Claudine Blamey, Deputy Henry Colthurst and Paul Singh observed the meeting virtually.

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

There were no declarations.

3. **MINUTES**

The public minutes and non-public summary of the meeting held on 7 July 2023 were approved as a correct record.

Matters arising

A Member requested that the Committee be presented with further forward planning on the climate Action Strategy. Members noted that officers were continuing to work on developing overarching reporting frameworks for the financial investment and property investment portfolios, including on the Climate Action Strategy, but these needed to take into consideration the different reporting requirements of each.

Members noted that further information concerning Treasury Management training would be circulated shortly.

4. **COMMITTEE FORWARD PLAN**

Members received the Committee's forward plan.

5. **RISK REGISTER FOR INVESTMENT COMMITTEE**

Members received a joint report of the City Surveyor and the Chamberlain concerning risk management.

Members noted that this was the first example of joint reporting on the management of risks which were relevant to the work of the Investment Committee, and would return as an information report for future meetings.

A Member felt that the property register felt less detailed than the financial investment register, and focused on the need to pivot to drivers on tenant need and ESG rather than the City Corporation meeting its Climate Action Strategy for real estate.

A Member asked how the risks of regulatory impacts were tracked and monitored.

A Member asked about legacy risk such as asbestos, cladding and RAAC. In reply, the City Surveyor said that RAAC was a particular issue at that moment in time, with an ongoing task-and-finish exercise that officers were hoping to finish in the next couple of months. Certain legacy risks such as asbestos and legionella were recorded on the FM system. There was not a comprehensive list of other deleterious materials, but officers were largely aware of where these types of materials would exist. The Chair suggested that an appearance of any of these risks should be reported to the Committee.

A Member questioned the ratings for three of the financial investment risks. They felt that the rating for CHB FIB 01 Insufficient Assets City's Cash was optimistic, the rating for CHB FIB 04 Counterparty failure - Treasury Management was pessimistic and that the rating for CHB FIB 05 Cashflow Management could increase to a higher risk level shortly. In reply, the Chamberlain said that cashflow management was not an immediate problem but could become one in the coming years. The level of CHB FIB 04 varied depending on whether there was a counterparty failure. She felt that it would be appropriate to revisit CHB FIB 01 once decisions had been made on asset allocation.

RESOLVED, that – Members:

- a) Note this report, and 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 and confirm that appropriate control measures are in place
- b) Consider further risks and mitigations relating to the services overseen by the Investment Committee

6. TREASURY MANAGEMENT OUTTURN AS AT 31 MARCH 2023

Members received a report of the Chamberlain concerning the Treasury Management Outturn for 2022/23.

A Member asked if officers had considered putting money out for longer than three years. The Corporate Treasurer replied that some money had been put out on attractive rates for three years. However, considering the significant upcoming cash requirements, it was important to be mindful of balancing time against payments.

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

7. TREASURY MANAGEMENT UPDATE AS AT 31 JULY 2023

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

A Member asked how the City Corporation was treating unexpected excess income due to the high base rate. The Chamberlain replied the bulk of the money gaining interest was in City Fund. The higher rates meant that the City Corporation had been able to reduce the funding gap in City Fund and improving the tail-end of the Medium-Term Financial plan and reducing saving requirements, but that it was not assumed the level would last when doing financial modelling. Officers also drew Member attention to paragraph 26 of the report, which highlighted that the forecast currently assumed the average split of cash amongst funds to July 2023 would continue for the rest of the year but was most vulnerable to rapid drawdowns in the balances due to the capital expenditure on major projects.

At the request of the Chair, the Corporate Treasurer provided further information on the short-dated bond funds held in L&G & Royal London, which while volatile provided a good income rate.

A Member asked why the City Corporation continued to hold money in NatWest at 2.8%. In reply, the Corporate Treasurer said that there had potentially been two or three investments with NatWest for a year when the interest rate was lower. This was the average rate of return, and the investments had recently matured.

The Chair asked if future reports could split the information between City Fund and City's Cash. Officers undertook to investigate this.

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

8. CLIMATE ACTION STRATEGY UPDATE

Members received a joint report of the Chamberlan and the Executive Director, Innovation and Growth, providing an update on the Climate Action Strategy.

Officers proposed that, going forward, the Committee should receive quarterly reports providing progress updates.

The Chair asked what tools fund managers were using to engage with the Climate Action Strategy. In reply, officers said that it was likely there was a range of tools used by the 22 different fund managers that the City Corporation used, which could be outlined in a future report. The City Corporation had issued 12 expectations of fund managers, and officers had a way of monitoring the adherence to these expectations. The lack of standards and coherence of how emissions were reported was one of the current issues in the market.

The Chair also asked if there were any exclusions being applied to the funds. In reply, officers said there were sectors of exclusion from sectors other than Climate Action, though not an explicit fossil fuel exclusion. There was an expectation that fund managers were managing money in line with the city Corporation's targets.

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

12. NON-PUBLIC MINUTES

The non-public minutes of the meeting held on 7 July 2023 were approved as a correct record.

There was one matter arising.

13. **DELEGATIONS SOUGHT DURING OCTOBER / NOVEMBER**

Members received a list of delegations sought during October and November.

14. **CHIEF INVESTMENT OFFICER - ASSET ALLOCATION**

Members received a report of the Chamberlain concerning asset allocation advice from the Chief Investment Officer function.

15. **CITY CASH TACTICAL ASSET ALLOCATION ADVICE**

Members received a report of the Chamberlain concerning tactical asset allocation for City's Cash.

16. **PERFORMANCE MONITORING**

16.1 **Quarterly Report to 30 June 2023**

Members received the Quarterly Monitoring report for Q2 2023; this report was produced by Mercer.

16.2 **Investment Performance Monitoring to 31 July 2023: City's Cash**

Members received a report of the Chamberlain concerning performance monitoring to 31 July 2023.

17. **ORACLE PROPERTY MANAGER (OPN) REPLACEMENT**

Members received a report of the City Surveyor concerning the replacement property management system project.

18. **LONDON WALL WEST**

Members received a report of the City Surveyor concerning London Wall West.

Members agreed during consideration of this item to extend the meeting under Standing Order 40.

19. **CITY'S ESTATE: DISPOSAL OF FREEHOLD OF 21 WHITEFRIARS STREET EC4**

Members received a report of the City Surveyor concerning the disposal of a freehold.

20. **CLIMATE ACTION AND NET ZERO CARBON DASHBOARD UPDATE**

Members received a report of the City Surveyor concerning the Net Zero Carbon Action Plan.

21. **PROGRESS UPDATE ON NET ZERO BUILDING DESIGN STANDARDS**

Members received a report of the City Surveyor concerning Net Zero Building Design Standards.

22. **CITY FUND & CITY'S ESTATE: RENTAL ESTIMATES MONITORING REPORT (JUNE 2023 QUARTER)**

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

23. CITY FUND: 34 BARTHOLOMEW CLOSE VERBAL UPDATE

The verbal update was postponed.

24. CITY FUND: LEADENHALL MARKET VERBAL UPDATE

The verbal update was postponed.

25. REPORT OF ACTION TAKEN

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

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

There were no questions in the non-public session.

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

There was no urgent other business in the non-public session.

The meeting ended at 4.13 pm

Chairman

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