

Capital Strategy

2023/24 –
2028/29



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Foreword

2023 was an extraordinary chapter in the City's story, marked by the coronation of a new King, historic moves, and ground-breaking initiatives.

We embraced fresh leadership at the City of London Corporation, with our new Town Clerk and Chief Executive, Ian Thomas.

We announced a major capital investment to refurbish the windows of the Golden Lane Estate, ensuring our commitment to enhancing the living experience for our residents.

We made progress on our relocation of Billingsgate Fish Market and Smithfield Meat Market to Barking and Dagenham, making way for the new London Museum at the historic site.

We launched our Vision for Economic Growth – a roadmap to unlocking £225 billion of investment and economic growth into the UK – benefitting your local City neighbourhoods and households across the country.

Our global reach extended even further with the inauguration of two US offices, forging new partnerships, and strengthening our international presence.

We unveiled a new City of London visitor brand and website – <https://www.thecityofldn.com>; showcasing the best of the Square Mile's consumer offer to London, UK, and international visitors – and promoting its world-leading culture, heritage, attractions, experiences, hotels, pubs, bars, and restaurants.

And our City Belonging Project was launched to create a world-leading business environment where organisations and communities come together to promote diversity and inclusion.

The return of workers to the Square Mile brought with it an influx of talent, and we now proudly host more than 615,000 people, a testament to the magnetic pull of our vibrant city.

Meanwhile, our parks and gardens – spanning 11,000 acres in London and southeast England – were awarded 15 Green Flags and five prestigious London in Bloom prizes.

And as we stand at the threshold of 2024, our gaze is fixed on the promise of continued transformation. We continue to work at pace to help the Square Mile reach net zero by 2040, cut air pollution even further, and create a first-class

street environment for our residents, workers, and visitors to enjoy.

And working closely with you, our Local Plan will guide the evolution of the Square Mile, securing its place as a dynamic hub of commerce, leisure, and innovation.

As we step into the year ahead, I eagerly anticipate the momentous changes it promises. Together, we will contribute to building a brighter and more prosperous City, London, and country, for everyone. Filled with determination and optimism, we stand ready to script the next chapter in the captivating story of the City of London.

The City of London is recognised across the world as a vital engine of business and economic growth. Now more than ever, the City needs to invest in its future to maintain its worldwide status. Our ambitious capital investment programme sets out how we will be spending £2.1bn over the next 5 years to achieve that.

1. Introduction and Background

The City of London, also known as the Square Mile, is the financial district of London. The City of London forms part of London as a whole, along with the 32 London boroughs who have responsibility for local government services within their local area.

It is the ancient core from which the rest of London developed. It has been a centre for settlement, trade, commerce, and ceremony since the Roman period, producing a unique historic environment of exceptional richness and significance.

One of the reasons the Square Mile is unique, is the number of people who live, work and visit. In just 1.12 square miles, the City of London counts around 8,000 residents, 513,000 daily commuters and 10m annual visitors. The City of London boundaries stretch from Temple to the Tower of London, on the River Thames including, from west to east Chancery Lane and Liverpool Street.

The City of London Corporation

Based in Guildhall, the City Corporation looks after and promotes the City of London. It is headed by the Lord Mayor with the Court of Common

Council being its main decision-making body. We are a uniquely diverse organisation, with a role that goes beyond that of an ordinary local authority. We have our own government (the oldest in the country with origins pre-dating Parliament), our own Lord Mayor and independent police force.

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work, study and visit here. Our reach extends far beyond the Square Mile's boundaries and across private, public, and voluntary sector responsibilities. This, along with our independent and non-party political voice and convening power, enables us to promote the interests of people and organisations across London and the UK.

What we are responsible for

We provide local government services for residents and City workers based in the Square Mile. Our unique role means that our reach does extend beyond the City to include:

- More than 11,000 acres of green spaces, including Hampstead Heath and Epping Forest and Epping Forest
- Billingsgate, Smithfield and New Spitalfields wholesale food markets
- The Heathrow Animal Reception Centre
- Housing across London
- A range of schools and academies
- And we are London's Port Health Authority



City of London Funds

The City Fund

This Fund meets the cost of the City of London Corporation's local authority, Police Authority and Port Health Authority activities. The Fund generates rental and interest income to help finance these activities. In addition, in common with other local authorities, it receives grants from central government, a share of business rates income and the proceeds of the local council tax.

The City Corporation retains only a small proportion of the business rates collected from its area, in accordance with the national arrangements. The remainder has to be paid over to the national non-domestic rates pool and is redistributed to local authorities throughout the country by central government.

Because of its special circumstances – notably its very low resident population and high daytime population – the City Corporation is allowed uniquely to set its own business rate. The Business Rate Premium is used to support the City of London Police.

City's Estate

This is an endowment fund built up over the last eight centuries. Its incomes are derived mainly from property, supplemented by investment earnings and the fund is now used to finance activities mainly for the benefit of London as a whole, but also of relevance nationwide. The management and conservation of over 10,000 acres of open space, all of the Lord Mayor's activities, Smithfield, Billingsgate, and Leadenhall markets, three of the highest achieving independent schools in the country and the Guildhall School of Music & Drama – supported by grants from City Estate at no cost to the public.

City Bridge Foundation

The City Corporation is the sole trustee of City Bridge Foundation, a charity whose origins date back more than 900 years. City Bridge Foundation owns and maintains five of London's most iconic Thames bridges: Tower Bridge, London Bridge, Southwark Bridge, the Millennium Bridge and Blackfriars Bridge.

The maintenance and replacement of these bridges is the primary objective of the charity. However, since 1995 the charity's large investment portfolio has also supported an extensive grant-making operation. The charity is now the largest independent funder in London, under the trusteeship of the City Corporation.

This Capital Strategy pertains to the capital investment activity of City Fund and City's Estate only.

Further detail about City Bridge Foundation, including its 25-year strategy, *Bridging London*, can be found at <https://www.citybridgefoundation.org.uk>

2. Corporate Plan 2024-2029

The Corporate Plan 2024-2029 was agreed in principle by the Court of Common Council on 11th January 2004, and provides the strategic framework to guide the City of London Corporation's thinking and decision-making over the next five years. Key strategic pillars are set out as follows.

The Corporate Plan is a framework containing six strategic outcomes* ensuring everything we do aligns to delivering a fantastic five years and ambition to be world-class. Equity, equality, diversity and inclusion is integral to delivering the Corporate Plan outcomes.

Diverse Engaged Communities

Across our residents, workers, businesses, and visitors, everyone should feel that they belong. Connecting people of all ages and backgrounds will help build diverse, engaged communities that are involved in co-creating great services and outcomes.

Leading Sustainable Environment

We have a responsibility to ensure that we act as a leader on environmental sustainability and strive to enhance it in all aspects of how we work. Climate action, resilience, air quality, and sustainability are all facets of ambitious targets for the entire City to be net zero by 2040.

Providing Excellent Services

Supporting people to live healthy, independent lives, and achieve their ambitions, is dependent on excellent services. Vital to that continued pursuit is enabling access to effective adult and children's social care, outstanding education, lifelong learning, quality housing, and combatting homelessness.



Dynamic Economic Growth

The City of London is the engine in the country's economy. Driving dynamic economic growth in financial and professional services at local, national, and international levels will create jobs, attract investment, and support businesses across communities and the country.

Vibrant Thriving Destination

Attracting businesses and people to a safe, secure, and dynamic location is vital to our future. A world-leading culture and leisure offer is integral to creating that vibrant thriving destination where everyone prospers.

Flourishing Public Spaces

From our historic wholesale markets and cultural icons, such as the Barbican, to our world-famous bridges and amazing green spaces, we are stewards of unique national assets. Major capital investment into our civic fabric will secure flourishing public spaces, enabling a more successful London overall.

Delivery

Progress reported and published annually. Regular reviews and tracking through business plans and major programmes. Measures developing throughout including creating scorecards and dashboards. The People Strategy, Digital Strategy, and Transformation all run in tandem alongside the Corporate Plan.

3. Purpose of the Capital Strategy

The City of London recognises the significant contribution its Capital Investment Strategy makes to supporting the local economy, and delivery of each of the six strategic pillars outlined in the Corporate Plan 2024-2029.

The importance of having a meaningful and comprehensive capital investment strategy is recognised in The Chartered Institute of Public Finance & Accountancy’s (CIPFA) revised Prudential Code (December 2021). The updated code strengthened the important requirement that all Councils should have a Capital Investment Strategy which aligns capital delivery plans to their organisational objectives and ensures that the capital strategy forms part of The City’s revenue, capital, balance sheet and medium- and long-term financial planning, demonstrating an affordable and sustainable Capital Investment Programme.

Figure 1 illustrates the integration and alignment of our Capital Investment Strategy to enable delivery of corporate priorities and the cross-Council enabling policies and strategies which also support their delivery.

Fig 1: Alignment of Corporate Plan through to delivery



This Capital Strategy sets out the capital investment plans for the next five years. It gives a high-level, long-term overview of how capital expenditure and capital financing contribute to the delivery of services/objectives; gives an overview of governance and risk management; and the implications for future financial sustainability. Ultimately the aim of this capital strategy is to ensure Members and Senior Leaders understand the long-term policy objectives and capital strategy requirements, governance procedures and risk appetite.

This strategy forms an important part of The City's revenue, capital, balance sheet, and medium and longer-term financial strategies, demonstrating alignment with strategic priorities and affordability/sustainability.

The corporation faces a number of financial challenges that it needs to overcome and is also going further with a number of ambitious plans over the next five years. This document sets out how the council will deliver on these objectives.

The objectives of the Capital Strategy are to;

- Maintain an affordable rolling multi-year capital programme;
- Ensure capital resources are aligned with the council's strategic vision and corporate priorities;
- Prioritise the use of Capital resources to maximise outcomes;
- Ensure capital resources are first matched against priorities;
- Maximise available resources by actively seeking external from the Community Infrastructure Levy (CIL), Section 106, and Grant income.
- Undertake prudential borrowing only when there is enough money to meet, in full, the implications of capital expenditure, both borrowing and running costs.

The Capital Strategy will be reviewed and revised annually, to ensure it reflects the needs and priorities of The City.

4. Capital Programme

What is capital?

A capital budget covers money spent on investing in buildings, infrastructure, expensive pieces of equipment, as well as software and intangible assets.

Capital spending is mainly for buying, constructing, or improving assets such as:

- buildings – schools, houses, libraries, museums, police and fire stations, etc
- land – for development, roads, playing fields, etc
- vehicles, plant and machinery – refuse collection vehicles, fire engines, police cars, etc.

It can also include grants made to the private sector or the rest of the public sector for capital purposes, such as advances to housing associations.

In order to count as capital expenditure, new assets or additions to assets must have a life of more than one year.

At the discretion of the secretary of state, certain revenue costs can also be treated as if they are capital costs (known as a capitalisation direction), e.g. typically for large one-off items such as redundancy costs.

Source: The Chartered Institute of Public Finance and Accountancy (CIPFA).

Table 1 below summarises the latest draft of our ambitious capital investment plans totalling £2.53bn, summarised by fund. This include the indicative cost of schemes still under development and due to be approved by the Court of Common Council in March 2024.

CAPITAL PROGRAMME	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
CAPITAL & SRP							
City Fund	324.2	409.5	439.1	144.2	45.0	39.2	1,401.2
City Estate	289.9	218.3	265.7	162.8	130.7	56.5	1,123.9
TOTAL CAPITAL PROGRAMME	614.1	627.8	704.8	307.0	175.7	95.7	2,525.1

Table 1: Summary of Capital Programme by Fund

City Fund Capital Programme

The City Fund capital programme totals £1.4bn over the next five years is summarised in table 2. It comprises £817.4m on flagship Major Projects, £523.8m across 'business as usual' capital programmes across the divisional areas, and additional £60m headroom to meet contingency requirements and any urgent new bids for future years.

CAPITAL PROGRAMME - CITY FUND	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
CAPITAL & SRP - BAU							
Barbican Centre	3.1	12.7	12.6	-	-	-	28.4
Chamberlain and Chief Finance Officer	5.6	21.0	-	-	-	-	26.6
City Surveyor and Property	25.2	28.5	6.8	4.0	4.0	4.0	72.4
Community and Children'S Services (Non Hra)	8.7	15.1	8.1	-	-	-	31.9
Community Services - HRA	50.8	66.3	31.8	10.0	-	-	158.9
City of London Police	21.8	8.4	5.0	5.0	5.0	-	45.2
Environment	25.5	39.5	35.1	11.2	2.4	8.8	122.5
Innovation and Growth	9.1	17.8	5.7	5.3	-	-	37.8
Sub-Total	149.9	209.2	105.1	35.4	11.4	12.8	523.8
CAPITAL & SRP - MAJOR PROJECTS							
Museum of London	95.8	96.5	58.8	9.1	3.3	-	263.4
Salisbury Square Development	78.5	103.8	260.2	84.7	15.4	11.4	554.0
Sub-Total	174.3	200.3	319.0	93.8	18.6	11.4	817.4
CAPITAL & SRP - CONTINGENCY & NEW BIDS							
Contingency and New Bids	-	-	15.0	15.0	15.0	15.0	60.0
TOTAL CAPITAL PROGRAMME	324.2	409.5	439.1	144.2	45.0	39.2	1,401.2

Table 2: City Fund Capital Programme 2023/24 to 2028/29



Within City Fund, there are currently two flagship major projects; the Museum of London relocation, and Salisbury Square Development including the Future Police Estate Programme.

Museum of London (MoL)

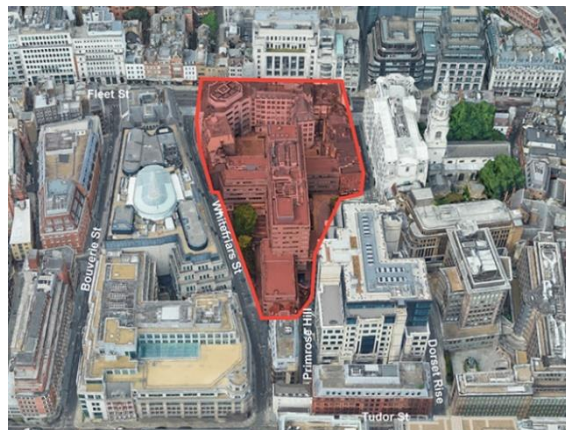
With a total budget of £337m (City Fund's contribution totals £197m with contributions from the GLA £70m and MoL £70m). In addition, supported by Landlord works from City's Estate - £140m, this project involves the relocation and creation of a new museum for London. It is linked to The City's Market's Relocation Programme above in that it will be moving into the current Smithfield market building.

It represents a once-in-a-generation opportunity to reconceive what a museum for London can be. The new site will enable us to offer much more, and for many more people. It will give us street-level entrances, better transport links courtesy of the Elizabeth line, and the opportunity to create innovative new galleries, exhibitions, and events. The images on the left show artist's impressions of the planned new museum venue.

Following on from a festival curated by Londoners, the London Museum will open in 2026 in the General Market and West Poultry Avenue, where the many diverse stories of London and its people will be



shared in new and innovative ways within immersive and interactive permanent galleries. Further details can be found on our dedicated micro site at <https://museum.london>.



Salisbury Square Development / Future Police Estate Programme

With a total budget of £656m, this is a major redevelopment programme and a unique opportunity to create modern facilities for both the City of London Police and Her Majesty's Courts and Tribunals Service (HMCTS) within Square Mile. The programme will deliver a new, purpose-built 18-courtroom legal facility called the City of London Law Courts and an industry leading City of London police headquarters, equipped to combat, amongst other things, fraud and economic crime across the UK.

City Fund will receive a contribution of £210m from City's Estate to cover the costs relating to the combined courts element.

Further detail on this exciting and unique development can be found on our dedicated website: <https://saliburysquaredevelopment.co.uk>.

The Salisbury Square development is expected to create the following benefits for the wider locale.

<p>2,100 jobs</p> <p>Be a civic hub for justice, policing and commercial activity, supporting 2,100 jobs directly;</p>	<p>400 new jobs</p> <p>Create around 400 brand new jobs in the City of London and an estimated 280 more through the supply chain and related economic activity;</p>	<p>150 direct construction jobs</p> <p>Create 150 direct construction jobs through the life of the build and a further 80 jobs through the supply chain;</p>
<p>£51 million</p> <p>Generate around £51 million per year once complete and operational;</p>	<p>£5.4 million</p> <p>Generate in excess of £5.4 million per annum in business rates receipts for the public purse of which approximately £1.6 million could be retained by the City Corporation for investment in local spaces and services;</p>	<p>Key role in the future of Fleet Street</p> <p>Play a key role in the future of Fleet Street as a thriving part of the historic Square Mile, especially as part of the to be formed Fleet Street Business Improvement District;</p>
<p>c.£10 million</p> <p>Generate c.£10 million in productivity benefits (GVA) per year during construction;</p>	<p>Enhanced and enlarged</p> <p>An enhanced and enlarged Salisbury Square and creation of new pedestrian routes through the site, providing high quality hard and soft landscaping.</p>	

The 'business as usual' (BAU) portfolio of City Fund's Capital Programme totals £523.8m. Key highlights are set out in this section.

Within the **Housing Revenue Account (HRA) block of Community & Childrens services**, the City is planning to invest almost £96.0m across two large social housing schemes at Sydenham Hill estate and York Way Estate respectively.

Sydenham Hill Estate

Located within the borough of Lewisham, a further £45.9m is allocated to Sydenham Hill Estate to provide 110 truly affordable homes for people, comprising a mix of 1, 2, 3 and 4-bed homes to reflect the local need and make a positive contribution towards answering the borough's housing shortage. Alongside much-needed new homes, the scheme will provide a community room, estate office, amenity and play space as well as a wide range of landscaping and ecological enhancements for the benefit of all residents.

Work started on-site in 2023, and further details can be found on the following website:
<https://www.sydenhamhillproject.com>.

York Way Estate

The City of London Corporation will be investing £50.0m to delivering a scheme which provides

- 91 new homes all available for social rent
- High-quality landscaping and greenery
- Enhancement to public realm
- New improved community centre
- Improved entrances of Lambfold House, Penfields House and Shepherd House, and Kinefold House
- Introduction of high-quality public art
- New children's play spaces*
- A resident growing garden behind Shepherd House.

Further details can be found on the following website: <https://www.yorkwayestate.com>.



Within the **City Surveyors** portfolio;

- £22.2m has been earmarked for redevelopment and refurbishment works at the Central Criminal Court, including replacement of key plant and machinery.
- A further £13.3m has been allocated for the refurbishment of 1 – 6 Broad Street Place.

Within the **Environment** directorate:

- £18.8m has been set aside for the St Paul's Gyratory project, which aims to transform the streets and public realm between the old Museum of London site and St. Paul's Underground station through the partial removal of the 1970's gyratory. It is a priority project for delivery by 2030 as identified in the City's Transport Strategy.
- £10.6m has been earmarked for a once-in-a-generation opportunity to transform over four hectares of public realm located at West Smithfield, into a world class 24-hour cultural destination.

In **Community and Childrens Services**, a total of £23.9m is to be invested in crucial health and safety related works at Barbican Residential, and Barbican Podium Phase Two, will be undertaking waterproofing and drainage refurbishment on the podium.

City's Estate Capital Programme

City's Estate capital programme totals £1.12bn over the next five years is summarised in table 3. It comprises £893.7m on flagship Major Projects, £210.2m across 'business as usual' capital programmes across the divisional areas, and an additional £20m headroom to meet contingency requirements and any urgent new bids for future years.

CAPITAL PROGRAMME - CITY'S ESTATE	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
CAPITAL & SRP - BAU							
Barbican Centre	-	0.0	-	-	-	-	0.0
Chamberlain and Chief Finance Officer	30.1	34.6	-	-	-	-	64.7
City of London Freeman's School	2.2	0.6	-	-	-	-	2.8
City of London School	1.2	0.0	-	-	-	-	1.2
City of London School For Girls	4.4	0.2	-	-	-	-	4.6
City Surveyor and Property	55.7	28.3	7.4	-	-	-	91.5
Community and Children'S Services (Exl HRA)	0.6	0.2	-	-	-	-	0.8
Environment	4.0	3.9	5.8	3.8	-	-	17.6
Innovation and Growth	2.6	7.6	4.8	4.7	-	-	19.7
Principal GSMD	2.8	1.6	2.1	0.8	-	-	7.3
Sub-Total	103.5	77.2	20.1	9.4	-	-	210.2
CAPITAL & SRP - MAJOR PROJECTS							
Markets Consolidation	127.2	78.7	144.7	117.4	123.0	51.5	642.5
Museum of London	28.8	23.5	-	-	-	-	52.2
City Fund (Combined Courts)	30.4	39.0	95.9	31.0	2.7	-	198.9
Sub-Total	186.4	141.1	240.6	148.4	125.7	51.5	893.7
CAPITAL & SRP - CONTINGENCY & NEW BIDS							
Contingency and New Bids	-	-	5.0	5.0	5.0	5.0	20.0
TOTAL CAPITAL PROGRAMME	289.9	218.3	265.7	162.8	130.7	56.5	1,123.9

Table 3: City's Estate Capital Programme 2023/24 to 2028/29

Markets Co-Location Programme (MCP)



This is a major regeneration programme, which will see London's historic wholesale markets, Smithfield and Billingsgate, relocated to a purpose-built site in Dagenham Dock.

This has a total budget of £841m. The relocation will stimulate economic growth, generating around £14.5 billion in cumulative productivity benefits (Gross Value Added) for the UK economy to 2049. It will bring an estimated 2,700 new jobs to Barking and Dagenham and support 7,850 jobs across the UK.

Relocating Smithfield Market also offers the opportunity to reinvigorate an historic part of the Square Mile, preserving and opening up the listed buildings for the public to enjoy. The site will become home to the new London Museum, alongside a complementary cultural and commercial offer. The land at Canary Wharf that will be unlocked by relocating Billingsgate could provide around 2,000 new homes and other social infrastructure.

The following artists impression represents what the new site could look like. The final design is subject to a range of options that are currently being appraised.



Also included within City's Estate Major projects, are:

- £140m relating to the refurbishment and redevelopment of the premises vacated by the Museum of London, located at Bastion House, for future alternate use.
- £210m relating to City's Estates' contribution to the Salisbury Square development, in relation to the Combined Courts element of the wider programme. Further details of the Salisbury Square Development are disclosed above.

The 'business as usual' (BAU) portfolio of City's Estates Capital Programme totals £210.2m. Key highlights are set out in this section.

Within the **City Surveyor's** portfolio;

- £40m has been allocated for the purchase of commercial property, in line with the principles of the Investment Strategy, summarised in section 8 of this document.
- £22.4m has been earmarked for the refurbishment of 1 Alfred Place. The building previously housed a private members club, restaurant, serviced office space, co-working spaces, a digital upskilling centre and BT Business support, who vacated the building during the COVID lockdown.

Cross-Fund Programmes

There are also a number of schemes within the capital programme which encompass all funds. Some key highlights are summarised below.

Climate Action Strategy

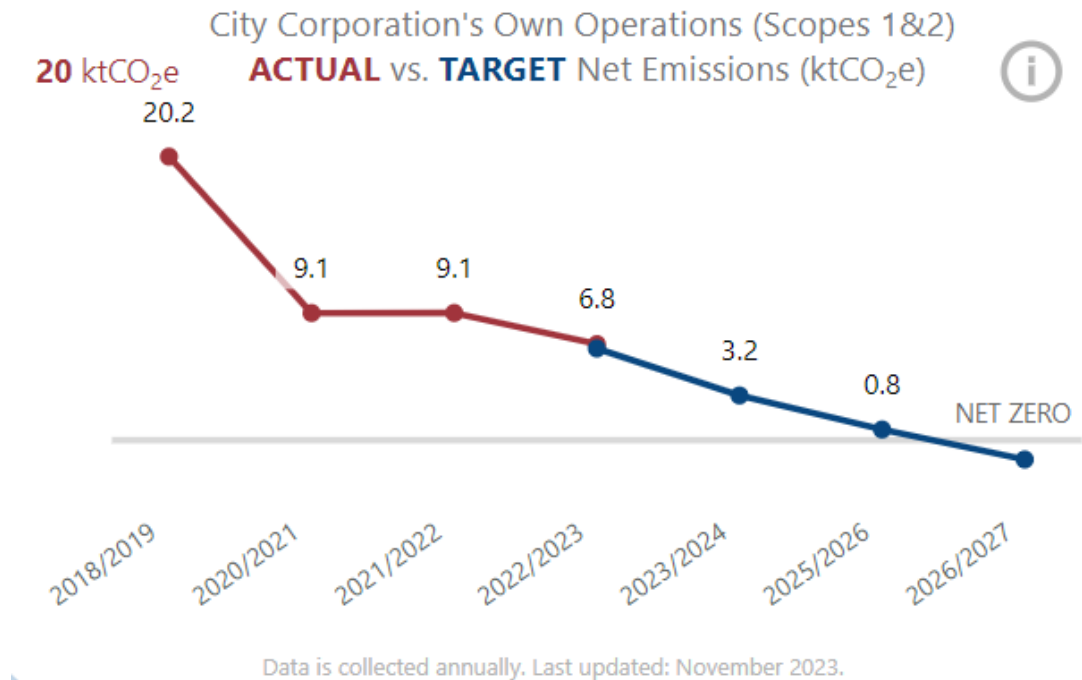
The City of London Corporation has adopted a radical Climate Action Strategy which breaks new ground and sets out how the organisation will achieve net zero, build climate resilience and champion sustainable growth, both in the UK and globally, over the next two decades.

By adopting the strategy, the City Corporation has committed to:

- Achieve net zero carbon emissions from our own operations by 2027.

- Achieve net zero carbon emissions across our investments and supply chain by 2040.
- Support the achievement of net zero for the Square Mile by 2040.
- Invest £68m over six years to support these goals, of which £15m is dedicated to preparing the Square Mile for extreme weather events.

This follows an extensive study of our activities and assets and puts a plan in place to address emissions from our financial and property investments and full supply chain. As shown in the chart below, we are currently on track to achieve net zero by 2027.



HR, Payroll, Finance Solution - ERP (Enterprise Resource Planning)

This programme will establish a new, single cloud-based platform that can be used across The City, and replace the legacy IT systems used for Finance, HR, Payroll for 20 years which are out of date.

Whilst this is a significant IT implementation programme, it will transform the enterprise-wide management of key business processes and elevate the provision and use of data to ensure officers and members are making informed decisions.

The aims of the project are:

- to provide The City with a fully integrated HR, Payroll, Finance and Procurement solution
- to enable modern, fit for purpose systems and the right tools for services teams to deliver their key objectives for The City, and
- to enable transformation, increase efficiencies and reduce IT costs.



Cyclical Works Programme

The City's significant number of properties Operational Property portfolio across City Fund and City Estate, has fallen into a state of disrepair because of funding constraints over several years. Included within the MTFP, is a funding allocation totalling £145m for the next five years to address the accumulated backlog of maintenance, and prevent further dilapidation and degradation of property, and failure to meet statutory compliance requirements. £31.1m of the allocated funding is included within the Capital Strategy, pending final approval by the Court of Common Council in March 2024.

5. [Capital Financing](#)

Tables 4 & 5 below show how the capital programme is financed across City Fund and City's Estate.

FINANCING SOURCES - CITY FUND	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
CAPITAL & SRP - CITY FUND							
Revenue/Earmarked Reserves	108.2	36.3	40.0	16.5	10.3	8.4	219.8
HRA	50.8	66.3	31.8	10.0	-	-	158.9
Asset Disposal Proceeds	75.6	156.2	213.3	50.5	15.9	26.4	537.9
Grants and Contributions	89.6	150.7	154.0	67.2	18.8	4.4	484.6
TOTAL CAPITAL PROGRAMME	324.2	409.5	439.1	144.2	45.0	39.2	1,401.2

Table 4: Summary financing schedule for City Fund Capital Programme 2023/24 to 2028/29

FINANCING SOURCES - CITY'S ESTATE	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
CAPITAL & SRP - CITY ESTATE							
Revenue/Earmarked Reserves	45.2	50.9	17.6	14.4	5.0	5.0	138.0
Asset Disposal Proceeds	82.0	160.7	244.7	147.9	125.2	47.5	808.0
External Borrowing	152.9	-	-	-	-	-	152.9
Grants and Contributions	9.9	6.8	3.4	0.5	0.5	4.0	25.1
TOTAL CAPITAL PROGRAMME	289.9	218.3	265.7	162.8	130.7	56.5	1,123.9

Table 5: Summary financing schedule for City Fund Capital Programme 2023/24 to 2028/29

Revenue/Earmarked Reserves

Earmarked funding for the capital programme, this is specific revenue funding which has been set aside to fund asset spend.

Grants and Contributions

This includes:

- Community Infrastructure Levy (CIL) - a set charge, based on the gross internal area floorspace of buildings, on most new development to help fund the infrastructure needed to address the cumulative impact of development across the City of London. A development is liable for a CIL charge if it is creating one or more dwellings, or new floorspace of 100sqm or more. When a CIL liable development is granted planning permission, the amount of CIL required is calculated and sent to the planning applicant and/or landowner of the development on a CIL Liability Notice.
- Section 106 - Planning obligations (often called S106 agreements) are legal agreements with developers for the provision of, for example, affordable housing, local training and jobs, and sites specific mitigation measures to alleviate

the impacts of a development proposal. A S106 agreement is intended to make a development acceptable that would otherwise be deemed as unacceptable, by offsetting the impact by making specific location improvements.

- Section 278 Agreements are a legal agreement between a developer and the Local Highway Authority (LHA) which allows the developer to make permanent alterations to the adopted highway as part of a valid planning permission. The Section 278 Agreements are outlined within the Highways Act . The Section 278 Agreement process ensures that all works are designed and constructed to the satisfaction of the Highway Authority.
- Others can include ring fenced grants from governmental departments or other public sectors bodies such as the GLA or TFL.

HRA

The Housing Revenue Account (HRA) is the expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.

It is a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund, the main items of expenditure included in the account are management and maintenance costs, major repairs and large capital projects, loan charges, and depreciation costs with the main sources of income are from tenants in the form of rents and service charges.

Asset Disposal Proceeds

This is the proceeds from the city's asset disposal programme used to fund the capital programme, this includes the Dedicated Sales Pool which funds City Estate Asset Investment. Capital receipts can only be used to fund capital expenditure, and not revenue.

External Borrowing

The capital expenditure plans for City's Estate also create a borrowing requirement. City's Estate has issued fixed rate market debt totalling £450m to fund its capital programme.

Capital Financing Requirement

City Fund expenditure financed by borrowing (internal or external) is represented by the Capital Financing Requirement (CFR), which measures the City's underlying borrowing need; it will increase with unfunded capital expenditure and decrease as the Council makes minimum revenue provision (MRP) contributions. The table below shows the actual figure for 22/23 and the estimated figure for the upcoming years, currently the borrowing is all internal.

CITY FUND
Non-HRA
HRA
Total

Table 6: Projected Capital Financing Requirement analysed by Fund type

Treasury Management Indicators

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

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

- The **authorised limit for external debt** is the maximum threshold for external debt from 2024/25 onwards, this limit is required by the Local Government Act 2003 and is set above the operational boundary to ensure that the City is not restricted in the event of a debt restructuring opportunity.

TREASURY MANAGEMENT INDICATORS	2022/23 Actual £m	2023/24 Estimated Outturn £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Authorised Limit for external debt (City Fund)						
Borrowing	190.4	250.3	420.2	445.5	459	327.2
other long-term liabilities	12.8	12.7	12.6	12.5	12.4	12.3
TOTAL	203.2	263	432.8	458	471.4	339.5
Operational Boundary for external debt (City Fund)						
Borrowing	90.4	150.3	320.2	345.5	359	227.2
other long-term liabilities	12.8	12.7	12.6	12.5	12.4	12.3
TOTAL	103.2	163	332.8	358	371.4	239.5
Actual external debt (City Fund)*	0	0				
Upper limit for total principal sums invested for over 365 days (per maturity date)	300.0	300.0	300.0	300.0	300.0	300.0

Table 7: Summary of Projected debt, and forecast operational debt boundary (City Fund) 2023/24 to 2027/289

Table 8 below sets out the % of financing costs to net revenue and the approved borrowing limits for City Estate, designed to ensure that it remains prudent and sustainable.

CITY'S ESTATE BORROWING INDICATORS	2022/23 Actual	2023/24 Estimated Outturn	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	%	%	%	%	%	%
Estimates of financing costs to net revenue stream	15.0%	16.1%	15.6%	15.5%	15.5%	15.6%
	£m	£m	£m	£m	£m	£m
Overall borrowing limits	450.0	450.0	450.0	450.0	450.0	450.0

Table 8: Projected financing costs as a proportion of revenue income (City's Estate) 2023/24 to 2027/28

6. Governance

Resource Allocation Process (Principles)

To assist in the resource allocation process, project proposals are prioritised and categorised, with only essential schemes within the following criteria being considered for central funding:

- health and safety or statutory requirements
- substantially reimbursable
- spend to save/income generating
- major renewals of income generating assets
- must address a risk on the Corporate Risk Register or that would otherwise be escalated to the register e.g., replacement of critical end of life assets, schemes required to deliver high priority policies and schemes with high reputational impact.
- must have a sound business case clearly demonstrating the negative impact of the scheme not going ahead such as material penalty costs or loss of income.

New Capital Schemes

The annual capital bid process was introduced as a means of prioritising the allocation of central funding for capital schemes. Due to hyperinflationary pressures, this was paused during 2023/24 with a contingency sum held to meet urgent works within City Fund and City's Estate. Requirements applicable to CBF continue to be considered through the lens as to what is in the best interests of the charity. The current bids are for programmes commencing in 2024/25.

Policy and Resources Committee and Finance Committee have recommended a central funding envelope of £20m for City Fund and £5m for City Estate in relation to new bids for 2024/25. This level of spend is affordable alongside the approved major project spend/ investment, which currently sits at £2.1bn across City Fund and City Estate, and are detailed in earlier sections of this document.

Depending on the nature of the funding, the approved bids currently progress from Resource Allocation Sub Committee (RASC), Finance Committee, Policy & Resources (P&R) Committee and, where relevant, the CBF Board to provide in principle funding approval to the schemes.

The indicative costs of agreed schemes are incorporated into the medium-term financial plans/ financial forecasts to assess the financial impact in context of each corporation fund and were confirmed at the joint informal meeting of RASC and the service committee chairs in January 2024. The final approval before these bids are incorporated in the capital programme is in February and March by Finance Committee, and the Court of Common Council respectively.

Committees

Approvals for projects with a total budget of less than £100m are set out in the City Corporation's Projects Procedure. Approval of projects is currently the responsibility of the respective service committees and are recommended to the Court of Common Council where total project expenditure is due to exceed £5m. The service committee is responsible for scrutinising individual projects to ensure the proposals are meeting the business need. Following this step, the Resource Allocation Sub-Committee (RASC) will in turn recommend the release (or 'draw down') of funding for each respective project to P&R, both consider the overall programme of project activity and funding to maintain an overview. Projects and Procurement Sub Committee (PPSC) considers the overall portfolio of projects and programmes and reports into the Finance Committee, with the exception of Major Programmes.

Major Programmes (i.e. capital programmes exceeding £100m) are managed directly through the Capital Buildings Board (CBB), a sub of P&R, and is authorised to approve budget drawdowns within the approved funding envelope.

Projects involving expenditure from the City Bridge Foundation must be approved by the City Bridge Foundation Board, or via any appropriate agreed delegations to their Managing Director.

Where a scheme concerns matters of policy and strategic importance to the City of London Corporation, project reports will also be submitted to that Committee.

The Finance Committee is responsible for obtaining value for money, improving efficiency and overseeing projects and procurement generally across the organisation. The Finance Committee therefore receives periodic reports on the City Corporation's capital expenditure.



New Gateway Process

In July 2023, the City Corporation agreed to review its approach to project management. An interim projects procedure has been put in place whilst the final proposals are developed for the Spring of 2024. Any revised proposals will be subject to PPSC and Finance Committee approval. This contains five phases and is outlined in the flow diagram below. This also sees all capital schemes separated into tiers, according to value, with each tier having different requirements and governance arrangements.

Inclusion of schemes in the capital programme will be subject to agreement by the relevant City Corporation committees which, depending on value, will include the Court of Common Council. Project Boards are usually established for individual projects, particularly those that require officers from several departments to deliver them.

All projects progressing to the capital programme must comply with Standing Orders, financial regulations, and generally the project procedure (with the main exception of the major programmes under the direct control of the Capital Buildings Board) and procurement code - and are subject to confirmation of funding.

Programme Delivery Assurance

To strengthen oversight of our capital projects and programmes, we are currently updating our approach to enterprise-wide portfolio management. This new approach will take a strategic view of delivery, provide oversight of project and programme delivery and will aim to reduce risk.

The key characteristics of the new approach will include:

- The construction of a series of portfolios containing the corporation's projects and

programmes – embedding accountability and responsibility for delivery

- Development of a revised gateways and programme lifecycle support framework
- Developing strategic governance – including the provision of portfolio board chaired by the Town Clerk
- A new EMPO system to embed new ways of working for project and programme management - supporting the reporting of project delivery to boards
- Revising project and programme management training to project managers so that they are better enabled to deliver

The new approach will be embedded through the implementation of a proactive EPMD organisation to support the provision of oversight and to drive the reporting cycle.

7. Corporate Property Asset Management Strategy '20-25

- The Corporate Property Asset Management Strategy outlines the overriding objectives for managing the operational estate (excluding Housing)
- Decisions on all operational property assets (excluding Housing) are guided by this strategy and the objectives within
- The Corporate Property Asset Management Strategy supports the Corporate Plan and is in turn supported by specific, individual property Asset Management Plans

Efficient

- Seek to rationalise the operational estate through better utilisation to ensure a more efficient, effective and sustainable asset base
- Ensure capital and revenue investment into the operational estate is 'relevant and needed' to achieve Corporate Plan objectives.
- Develop the current risk based approach to maintenance and renewal (subject to available budget)
- Ensure capital and revenue projects are affordable, sustainable, prudent and directed to corporate priorities
- Ensure annual revenue expenditure is efficiently managed to deliver value for money and reduce operational asset running costs
- Ensure future capital investment in the operational estate is aligned with 'invest to save' outcomes, full life cycle and both financial and non financial assessments.

Effective

- Ensure operational assets are maintained to a good, safe and statutory compliant condition
- Maximise third party income for leased out property, including targetting effective support for businesses impacted by Covid-19
- Develop and mature the management of the portfolio by embedding the Asset Management (Service Based Review) recommendations
- Incorporate 'smart building technology', modern working practices post Covid-19 and improve connectivity for occupiers within the portfolio
- Create added value through the property Asset Management Plan process
- Ensure operational assets are relevant, fit for purpose and meet service delivery needs through a comprehensive Asset Challenge Process
- Ensure asset management activity is aligned with Service Committee's business plans through the Asset Management Plan process to deliver asset related corporate and business objectives

Sustainable

- Support the proposed Climate Action Strategy; including the achievement of net zero carbon emissions, to build resilience and to champion sustainable growth
- Achieve 40% energy savings by 2025/26
- Optimise the sustainability performance of the existing property portfolio (subject to available budget)
- Target BREEAM of excellent on all new buildings
- Maintain Heritage assets through investment and prevent their inclusion on the Heritage at Risk Register wherever possible (subject to available budget)
- Ensure where Heritage assets are not in the sole ownership of the City to drive the collective responsibility to maintain and prevent their inclusion on the Heritage at Risk Register

Further information on the Corporate Property Asset Management Strategy and supporting information including Asset Management Plans, Asset Challenge Process, Asset Management (Service Based Review) recommendations is available from the Corporate Property Group. Contact Paul Friend, Head of Corporate Asset Management (paul.friend@cityoflondon.gov.uk).

8. Investment Property

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both.

Returns from property ownership can be both income-driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth).

The combination of these is a consideration in assessing the attractiveness of a property for acquisition. In the context of the Capital Strategy, the City Corporation uses capital to invest in property to provide a positive surplus/financial return which is a key source of funding for the ongoing provision of services.

Investment properties may also be sold to provide capital to fund the capital programme. Some significant disposals are currently planned to provide funding for the major programmes. The resulting loss of rental returns needs to be carefully managed to ensure sufficient income to deliver services.

Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants

to leave with properties remaining vacant. These risks are mitigated in part by the mixed lease structure of holdings with some properties directly managed with multiple lettings, some single lettings to tenants on fully repairing and insuring leases and some to tenants on geared ground rent leases where the City Corporation is guaranteed a minimum rent but also shares in the actual rent received over a certain threshold.

The property portfolio is overseen by Members through a dedicated Investment Committee which overviews performance, sets strategy, and agree major lettings, acquisitions and disposals.

Performance of each estate is benchmarked through MSCI against the overall MSCI Universe and against the MSCI “Greater London Properties including owner occupied” benchmark. The target set is to outperform the MSCI Return Benchmarks for Total Return on an annualised five-year basis. There is a subsidiary target to maintain rental income levels and to endeavour to secure rental income growth at least in line with inflation.

The properties forming the Strategic Property Estate have been acquired for large scale redevelopment. They are part of the strategy of supporting growth in the business cluster in the

City Fringes by providing high quality floor space and returns from these properties are focussed on capital appreciation through their redevelopment.

The Investment Committee receives quarterly five-year rental forecast reports and regular reports on the level of voids and debtor arrears. From time to time the Comm also receives presentations, usually from major firms of surveyors, on the state of the UK and London property market and potential future trends.

9. Risk Identification and Management

This section considers the City Corporation's risk appetite with regard to its capital investments and commercial activities, i.e., the amount of risk that the Corporation is prepared to accept, tolerate, or be exposed to at any point in time. The City Corporation's Property Investment Strategies give due regard to risk, and this informs various aspects of our portfolio approach. It is important to note that risk will always exist in some measure and cannot be removed in its entirety.

A risk review is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the City Corporation's corporate risk management strategies. Subject to careful due diligence, the City Corporation will consider the appropriate level of risk for strategic initiatives, where there is a direct gain to the City Corporation's revenues or where there is Member appetite to deliver high profile projects.

The City Corporation maintains a Corporate Risk Register and priority will be given to schemes that significantly and demonstrably mitigate a previously identified corporate risk.

Maintenance of a costed risk register to identify and keep under review the risks associated with projects is Corporation best practice and most projects comply. Costed risks are informed by previous experience of similar projects and other factors, where relevant, such as the age of the asset, its size and its type.

The risk register includes mitigations that will be taken to minimise the risk and a financial assessment of the likely cost should the mitigated risks crystallise. In addition, the costs of major programmes include an element of optimism bias in line with HM Treasury guidance to mitigate the financial implication of delays and/or increased costs.

Recent levels of inflation have presented a significant risk to the cost and affordability of construction projects over the short to medium term. A risk assessment has been undertaken to quantify the potential financial impact on existing capital funding plans and contingency provisions included in the City Fund and City's Cash 2023/24 budgets to mitigate this.

10. Knowledge and Skills

The City Corporation has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

The City Corporation establishes project teams from all the professional disciplines from across the City Corporation as and when required. External professional advice is taken where required and will generally be sought in consideration of any major commercial property investment decision.

Within the Court of Common Council there are also several Members who have substantial professional expertise which assist when making crucial capital investment decisions. Some specialist committees, such as Property Investment Board, co-opt external members with specific expertise to further inform the decision-making process.