

## City of London Corporation Committee Report

<b>Committee(s):</b> Resource Allocation Sub-Committee Investment Committee – For decision Finance Committee – For decision	<b>Dated:</b> 3 February 2025 Delegated authority Delegated authority
<b>Subject:</b> Investment governance	<b>Public report:</b> For Decision
<b>This proposal:</b> <ul style="list-style-type: none"> <li>delivers Corporate Plan 2024-29 outcomes</li> </ul>	All outcomes - the City Corporation's investment portfolio provides the financing behind delivery of the Corporate Plan outcomes
<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>	Town Clerk
<b>Report author:</b>	Ben Dunleavy

### Summary

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

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

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

## **Recommendation(s)**

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

### *Resource Allocation Sub-Committee and Investment Committee*

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

### *Investment Committee and Finance Committee*

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

### *Investment Committee only*

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

## **Main Report**

### **Background**

#### *Asset allocation*

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

#### *Property transaction thresholds*

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

#### *Composition*

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

### **Current Position**

#### *Asset allocation*

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

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

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

#### *Standing Order thresholds*

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

#### *Composition*

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

#### **Options**

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

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

## **Proposals**

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

## **Corporate & Strategic Implications**

### **Strategic implications**

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

### **Financial implications**

23. The changes would not require any additional spending.

### **Resource implications**

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

### **Legal implications**

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

### **Equalities implications**

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

### **Climate implications**

27. There are no climate implications.

### **Security implications**

28. There are no security implications.

### **Conclusion**

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

### **Appendices**

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

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

### **Background Papers**

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