

Committee(s): Investment Committee – For Information Audit and Risk Management – For Information	Dated: 06 October 2025 17 November 2025
Subject: Treasury Management Outturn 2024/25	Public report: For Information
This proposal: delivers Corporate Plan 2024-29 outcomes provides statutory duties provides business enabling functions	Diverse Engaged Communities; Dynamic Economic Growth; Leading Sustainable Environment; Vibrant Thriving Destination; Providing Excellent Services; and Flourishing Public Spaces
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of:	The Chamberlain
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Summary

The Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) 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.

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 an end of year report. The main points to note are as follows:

- As at 31 March 2025, the City had treasury balances totalling some £956.6m. The majority of these balances are held for payment to third parties or are restricted reserves.
- Cash balances increased by £55.4m over the course of the year, which was principally due to income from the sale of property and financial investment drawdowns, offset by expenditure related to the Major Projects programme.
- Short term investment returns reduced throughout 2024/25, with the Bank of England cutting the base rate by 0.25% in August 2024, November 2024 and February 2025, bringing the headline rate down from 5.25% to 4.50% as at 31 March 2025. As at September 2025 the base rate stands at 4.00% following a

0.25% reduction in May and August 2025, with rates held steady at the September meeting.

- The investment of funds during the year conformed to the approved strategy and there were no liquidity difficulties or breaches of the approved creditworthiness policy. During the year, a new counterparty was onboarded, Standard Chartered Bank. The Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) remains appropriate in enabling the City to pursue its prime objectives of security and liquidity, followed by yield.

Recommendation

Members are asked to note the report.

Main Report

Introduction

1. The City of London Corporation (the City) is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
2. The Treasury Management Strategy Statement and Annual Investment Strategy relating to Treasury Management) [*referred to as the 'The Treasury Management Strategy Statement' or 'TMSS'*] for 2024/25 was approved by the Investment Committee (12 February 2024), Finance Committee (20 February 2024) and the Court of Common Council (7 March 2024). During 2024/25 the Investment Committee received investment analysis reports at each Committee meeting.

Overall Treasury Position as at 31 March 2025

3. The City's treasury position at the start and end of 2024/25 was as follows:

Table 1	31 March			
	Principal 2024	Rate of Return	Principal 2025	Rate of Return
	£m	%	£m	%
Fixed rate funding				
- PWLB	0		0	
- Market	0		0	
	0		0	
Variable rate funding				
- PWLB	0		0	
- Market	(450.0)		(450.0)	
	(450.0)		(450.0)	
Total debt	(450.0)		(450.0)	
Total investments	901.2	5.97 *	956.6	5.09 *
Net Investments	451.2		506.6	

* This rate of return includes the short-dated bond funds. The rate of return excluding the short-dated bond funds was 4.98% (2023/24: 5.64%). This was reported to Members at the May Committee.

Table 1 demonstrates that short term investments increased by £55.4m from £901.2m as at 31 March 2024 to £956.6m as at 31 March 2025, which is largely due to receipts received in 2024/25 from the sales of property, notably receipts related to the balance of the receipt due from the sale of South Molton Street estate (£54.5m), the sale of 59 ½ Southwark Street (£16.2m), and the sale of property on Charterhouse Street (£16.4m), as well as net income to the Treasury portfolio from drawdowns from financial investment portfolios (£113.4m), offset by expenditure on Major Projects throughout the financial year. The rate of return refers to the weighted average return of the portfolio as at the balance sheet date, rather than income earned in the period (which is discussed further at paragraph 21). The overall rate of return as at 31 March 2025 was lower than a year earlier, as interest rates decreased throughout 2024/25 due to the continued loosening of monetary policy from central banks.

4. Following the consultation undertaken by the Ministry of Housing, Communities and Local Government [MHCLG] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31 March 2029, with the exception of any new pooled investments made from 1 April 2024 which must comply with IFRS 9. Therefore, any capital gains/losses on the existing short-dated bond funds will continue not to be taken through the City's General Fund (i.e. City Fund), and no new investments are planned. The City is required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.
5. As City Fund is by far the largest participant in the TMSS in terms of investment balances, which are expected to endure for the foreseeable future, in order to ensure the TMSS is best aligned with each and every individual participants particular circumstances, during Autumn 2022 the Financial Investment Board (the Financial Investment Board has now been dissolved and replaced with the Investment Committee with effect from 19 May 2023), Finance Committee and Bridge House Estates Board (now City Bridge Foundation) all agreed to amend the TMSS with effect from 1 April 2022, and this was ratified by the Court of Common Council in December 2022. This amendment was to bifurcate the Annual Investment Strategy within the TMSS into two strategies: one for City Fund which includes exposure to the full range of investments (both *specified* and *non-specified*¹ i.e. including the short-dated bond funds) permitted in the current TMSS and a second strategy for others which restricts exposure to *specified investments* only (i.e. excluding the short-dated bond funds).

The Strategy for 2024/25

6. The first half of 2024/25 saw inflationary pressures ease as central banks began cutting interest rates, however, the second half of the year brought renewed volatility, as political developments, including the U.S. presidential election and the UK Labour government's Autumn budget, whilst initially lifting sentiment, resulted in faded optimism amid rising concerns over tariffs, inflation, and fiscal policy. Geopolitical tensions, including conflicts in Ukraine and the Middle East, further complicated the landscape. Despite this backdrop, investment returns remained robust throughout 2024/25 with Bank Rate reducing steadily, albeit more limited than previously expected, through the course of the financial year. At the end of

¹ **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments

Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.

March 2025 the yield curve was still relatively flat, despite the expectation of further Bank Rate cuts during 2025/26.

7. The expectation within the Treasury Management Strategy Statement for 2024/25, based on the forecast from December 2023 when the Bank of England base rate was at 5.25%, was that the base rate had peaked and would remain at 5.25% until the second half of 2024, then incrementally decrease to 3.75% by March 2025. However, Bank Rate reductions of 0.25% occurred in August 2024, November 2024 and February 2025, bringing the headline rate down from 5.25% to 4.50% as at 31 March 2025. As at September 2025, there have been two cuts to the bank rate in May and August 2025 to 4.25% and 4.00% respectively, with rates held steady in September 2025, with markets pricing in just one further change to Bank Rate in 2025/26 to 3.75%, though sentiment is likely to remain volatile.
8. At the beginning of 2024/25, the Corporation was able to achieve returns in excess of 5% for all periods ranging from 1-12 months, though by March 2025 deposit rates were some 0.75% - 1.00% lower. Extending duration through the use of "laddered investments" allowed the Corporation to achieve higher returns for longer whilst maintaining sufficient liquidity, with the majority of deposits invested for 12 months or less. In May 2024, when Bank Rate was at the assumed peak of 5.25%, the Corporation placed a small amount of the investment portfolio (£20m) in a 2-year fixed term deposit with an approved counterparty, to take advantage of the favourable interest rates priced into the market, and to lock-in higher investment returns for longer while maintaining sufficient liquidity.
9. In Accordance with the 2024/25 TMSS, the City can place deposits up to a maximum of £25m with individual local authorities and an overall limit of £250m for outstanding lending to local authorities as a whole at any given time. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful measure of depth, forcing short-term investment rates above those available in other markets. The Corporation placed 3 deposits totalling £50m with local authorities in this period. In 2024/25, the Corporation placed 16 deposits with local authorities, with the majority of these placed once again in the latter part of the year to benefit from the favourable short term investment rates in the local authority market. At the end of March 2025, the Corporation held deposits with 9 local authorities totalling £165m. Although the overall credit standing of the local authority sector is considered high, officers performed additional due diligence on individual prospective local authority borrowers prior to entering into any lending.
10. The Corporation's creditworthiness policy was designed to prioritise the security of the Corporation's assets whilst also enabling diversification of risk amongst a range of high-quality counterparties. The creditworthiness criteria set out in the original strategy was maintained throughout the year. During the year, a new counterparty was onboarded, Standard Chartered Bank, and has been added as an approved counterparty in the Treasury Management Strategy Statement for 2025/26. The inclusion of Standard Chartered Bank as an approved counterparty did not change the overall average credit rating of the short-term investment portfolio but allowed the Corporation to further diversify counterparty risk further and reduce reliance on existing counterparties.
11. The Corporation maintained sufficient liquidity through the selective use of highly liquid money market funds, cash flow forecasting, and active management of the portfolio's maturity profile.
12. The treasury management function complied with the parameters established in the 2024/25 TMSS for the entirety of the reporting period and the City's treasury

cash continues to be invested in a diversified balanced portfolio commensurate with proper and prioritised levels of security and liquidity.

13. The 2024/25 TMSS also included a number of prudential and treasury indicators for the year which are shown in Appendix 1. The City complied with all indicators in 2024/25.

The Borrowing Requirement and Debt

14. The Corporation did not anticipate (but did not rule out) undertaking any new external borrowing during 2024/25 and instead intended to temporarily use cash balances to support capital expenditure as an interim measure. This policy of internal borrowing was prudent as long-term borrowing costs are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation .
15. The majority of local authority borrowing is undertaken via the Public Works Loan Board (PWLB), a government agency. The PWLB guidance was updated on 15 June 2023, in particular publishing a new Housing Revenue Account (HRA) rate, at 40 basis points above prevailing gilts, available from 15 June 2023 for 1 year, with its continuation subject to review. This rate is solely intended for use by HRA and primarily for new housing delivery. Furthermore, the guidance, in line with the Prudential Code, reinforced that local authorities will “...*only borrow the amount needed to finance capital expenditure and not borrow extra amounts purely to invest and make a financial return*” (previously noted purely for yield). Following the 2024 Autumn Statement, the availability of this rate has been extended to March 2026.
16. No external borrowing was undertaken by the City Fund during the 2024/25 financial year, and actual capital expenditure in that year (£300m) was lower than anticipated in the 2024/25 TMSS (£394m). The City Fund’s capital financing requirement is expected to increase in the next few years as a result of the planned capital expenditure, and it is likely that at least a portion of this borrowing need will be met through internal borrowing. This strategy remains prudent in the current interest rate environment given the City Fund’s cash balances. However, the Chamberlain will continue to monitor the outlook for interest rates to ensure the borrowing strategy remains appropriate.
17. City’s Cash did not issue any new debt during the year having obtained market debt of £450m in 2019/20.
18. City Bridge Foundation did not enter into any borrowing during the year.

Investment Outturn for 2024/25

19. The City’s investment policy is governed by MHCLG guidance on Local Government Investments and the CIPFA Treasury Management Code which has been implemented in the Annual Investment Strategy approved by the Court of Common Council on 7 March 2024. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
20. The amendment to bifurcate the Annual Investment Strategy within the TMSS into two strategies (see paragraph 6): one for City Fund which includes exposure to the full range of investments (both *specified* and *non-specified* i.e. including the short-dated bond funds) and a second strategy for others which restricts exposure to *specified investments* only (i.e. excluding the short-dated bond funds), has resulted in two income yields for 2024/25, one for City Fund and one for all other funds.

21. The income yield on short term investments for 2024/25 was 5.00% for City Fund and 4.38% for all other funds (2023/24: 4.82% for City Fund and 4.29% across all other funds). Investment returns remained robust throughout 2024/25, with the Bank of England reducing the Bank Rate steadily through the course of the financial year.
22. Aside from interest earned on deposits, the portfolio is also exposed to gains and losses on the market value of the Corporation's short-dated and ultra-short-dated bond funds, which are held at fair value. These investments, and in particular the short-dated bond funds which have the highest interest rate sensitivity, appreciated in value over the course of the year as interest rates decreased (bond prices have an inverse relationship with interest rates).
23. Bond Fund returns faced periods of volatility throughout 2024 primarily driven by geopolitical tensions, central bank decisions, and fluctuating interest rate expectations in the face of inflationary pressures. Following a tough end to 2024, with notable sell-offs in major government bond markets with various factors influencing investor sentiment across the globe, the first quarter of 2025 started off strongly as bond yields fell (meaning prices rose) reflecting lower interest rate expectations. However, this momentum was derailed by the announcement of tariffs, and credit spreads widened, reflecting increased risk aversion among investors, yet despite this, overall bonds were broadly positive in the first quarter of 2025 as investors sought a 'flight to safety' as they navigated economic and policy uncertainties. Despite this volatility, the capital value of the portfolio's short-dated bond fund investments produced a positive return of +0.16% for the year (2023/24 a positive return of +0.29%). As in 2023/24, these movements are debited as an unrealised gain on investments, which is in accordance with the IFRS9 current mandatory statutory override (paragraph 4), are reversed and not taken through City Fund.
24. Interest generated from short-dated bond funds is distributed periodically throughout the year. In the 12-month period ended 31 March 2025 the interest distributed from these funds totalled £6.1m.
25. The investment activity during the year conformed to the approved strategy, and the City of London had no liquidity difficulties.

Conclusion

26. Treasury management activities over the past financial year were carried out in accordance with the 2024/25 TMSS, which remained unchanged over the course of the year.
27. Money market investment returns, which are heavily determined by central bank activity, have decreased as the base rate fell from 5.25% to 4.50% during 2024/25. The Bank Rate is currently 4.00% following cuts in May and August 2025, with the rate held steady in September 2025, and is forecast to decrease further to 3.75% by the end of 2025/26.

Appendices

Appendix 1 – Treasury Indicators

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Treasury Indicators

TABLE 1: TREASURY MANAGEMENT INDICATORS	2023/24	2024/25	2024/25
	Actual	Estimate	Actual
	£M	£M	£M
Authorised Limit for external debt (City Fund)-			
Borrowing	£0	£0	£0
other long-term liabilities	£12.7	£12.6	£12.6
TOTAL	£12.7	£12.6	£12.6
Operational Boundary for external debt (City Fund) -			
Borrowing	£0	£0	£0
other long-term liabilities	£12.7	£12.6	£12.6
TOTAL	£12.7	£12.6	£12.6
Actual external debt	£0	£0	£0
Upper limit for total principal sums invested for over 364 days (per maturity date)	£300.0	£300.0	£50.0

TABLE 2: Maturity structure of fixed rate borrowing during 2024/25	upper limit	lower limit
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%