

City of London Corporation Committee Report

Committee(s): Investment Committee (For Decision) Finance Committee* (For Information) Investment Committee of the City Bridge Foundation Board (For Decision) Audit & Risk Management (For Information)	Dated: 09 February 2026 17 February 2026 26 February 2026 23 March 2026
Subject: Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) 2026/27	Public report: For Decision/Information
This proposal: <ul style="list-style-type: none"> • 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
Report author:	Kate Limna

* This report is for information for the Finance Committee. The Treasury Management Strategy Statement and Annual Investment Strategy 2026/27 is included as an appendix to the City Fund 2026/27 Budget report, which will be for approval.

Summary

The attached document sets out the Corporation's Treasury Management Strategy Statement and Annual Investment Strategy (relating to Treasury Management) (TMSS) for 2026/27. The Treasury Management Strategy and Annual Investment Strategy Statement (relating to Treasury Management) for 2026/27 has been updated taking account of the latest information concerning the organisation's capital plans and external factors, such as the prospects for interest rates.

The document includes various Treasury and Prudential Indicators required to be set for the City Fund to ensure that the Corporation's capital investment plans are affordable, prudent and sustainable and to help the organisation identify and control the risks around its treasury management activity.

As has historically been the case, this report covers the treasury management activity carried out across the organisation, including City's Estate (previously City's Cash) and City Bridge Foundation (previously Bridge House Estates). As City's Estate borrowing is not covered by the regulatory framework established for local authorities, the City adopted its own formal policy in 2018/19 via the City's Estate Borrowing Policy Statement which is included in the TMSS at Appendix 8.

The main proposals within the document are incorporated within the separate report entitled '*City Fund 2026/27 Budget*' being considered by the Finance Committee on 17 February 2026 and by the Court of Common Council on 5 March 2026.

Responsibility for approving the Corporation's borrowing plans remains with the Court of Common Council, not the Investment Committee.

The Investment Committee of the City Bridge Foundation Board is responsible for approving the TMSS on behalf of City Bridge Foundation. A Supplemental Royal Charter was approved in June 2023, with various new powers being adopted. These included the power to borrow for the purposes of raising funds towards the cost of replacement, reconstruction and re-building of any of its Bridges. This may be undertaken without security or on the security of the permanent endowment fund or any part of it or its income. However, there are no current plans for borrowing to take place in the short to medium term, and thus the most relevant section for the City Bridge Foundation Board is section 5, of the Annual Investment Strategy (for Treasury Management), which sets out how surplus cash balances will be managed in the forthcoming year (it does not apply to the Charity's longer term investments which are subject to City Bridge Foundation's Investment Strategy Statement). By adopting in the Corporation's treasury management policies, the City Bridge Foundation Board can ensure that treasury risks associated with the Charity's surplus cash balances are managed efficiently and effectively.

The key areas to highlight are:

Capital financing and borrowing

- The Corporation's capital plans create a borrowing requirement across both the City Fund and City's Estate. City's Estate partially addressed this borrowing requirement through the issuance of £450m market debt in recent years. In addition, Investment Committee have approved investment strategies for both City Fund and City's Estate, including risk and return measures to secure the differing rates of return required for each fund. For City's Estate asset allocation target ranges have been set for the allocation between property and financial investments. Both the City Fund and City's Estate capital programme over the next few years to 2029/30 will be supported by Investment Property disposals, whilst City's Estate will also be supported by Financial Investment liquidations (n.b. these are not held in Treasury Management portfolio) in the short term, pending a disposal programme over the 3-5 year horizon.
- The City Fund borrowing requirement is expected to increase to £225.0m during 2025/26 where it will remain until 2029/30 supported by planned Investment Property disposals. Therefore, for the City Fund, there is no immediate requirement to take on external borrowing as it is expected that the City Fund can also continue to temporarily use its own cash balances (internal borrowing) for the foreseeable future. Any new external borrowing would serve to increase cash balances and create additional revenue pressures through a "cost of carry", as the rate payable on external borrowing is currently higher than the interest receivable from treasury management investment activity. Therefore, the proposed treasury management strategy recommends that the City Fund borrowing requirement is managed through the prudent use of internal resources during 2026/27, as supported by the planned Investment property disposals.
- The benefits of this strategy (lower financing costs and reduced counterparty risk) need to be carefully evaluated against the risk of incurring higher borrowing costs in future. Following the 26 November Budget and the decision by the Bank of England's Monetary Policy Committee (MPC) to further reduce Bank Rate from 4.00% to 3.75% at their meeting in December, the City's treasury investment consultants, MUFG Corporate Markets, are forecasting a rate cut in Q2 2026 to 3.50%, and then a further rate cut to 3.25% in Q4, as the Governor of the Bank of England made it clear that

any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. That is not a 'given', and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK following local elections, but the US mid-term elections are scheduled for November.

- Interest rates are monitored daily and should circumstances change, the Chamberlain will maintain the flexibility to meet some or all of the City Fund borrowing requirement through external borrowing. As such the operational boundary and authorised limit for external debt (Appendix 2 of the TMSS) have been revised to enable the Corporation to secure external debt to meet some or all of the borrowing requirement.
- Local authorities are legally required to set aside a prudent amount for the provision of the repayment of prudential borrowing from revenue each year. It should be noted that this requirement applies for all unfunded City Fund capital expenditure (i.e. spending that is not immediately financed through capital grants, capital receipts etc.) not just for actual external borrowing. The Minimum Revenue Provision (MRP) Policy Statement for 2026/27 sets out this policy for the forthcoming year and is included at Appendix 2 in the TMSS.

Investments

- As at 31 December 2025, the Corporation has "cash" balances totalling £1,080.9m, the majority of which is invested in money market funds and fixed income instruments. Cash is expected to decrease in 2026/27 as the Corporation progresses spending on its ambitious capital programme including the major projects. Most of the treasury cash balances pertain to the City Fund and comprise of liabilities on City Fund's balance sheet (cash that needs to be paid out to third parties or used for a specific purpose at some point in the future) together with cash backed reserves.
- The Corporation currently manages significant short term investment cash balances. Although these balances are expected to decline in the next few years as the capital programme progresses, the programme across City's Estate will be supported by Financial Investment liquidations (those not held in Treasury) and Investment property disposals, with the City Fund programme only having available the support of property disposals and lease premiums. Under these circumstances, a level of core cash will persist for the next ten years based on current financial plans. One of the most acute challenges within the treasury management strategy is preventing the gradual erosion of the real value of these long-term cash balances from the effects of inflation.
- However, the City needs to consider the medium term outlook beyond 2026/27 as under the Fair Funding 2.0 reforms the City will have a bespoke funding allocation as it currently only has a one year settlement – discussions are ongoing with the Ministry of Housing, Communities and Local Government (MHCLG). Furthermore, City Fund has committed to support HRA capital expenditure to improve its Housing stock with significant funding over the next 10 years, and therefore financial resources will need to be continually managed to ensure sustainability is a priority.
- It is proposed that the City continues to be prepared to lend monies for up to three years' duration based on risk assessments for each opportunity undertaken by Treasury Officers and discussed with the Chamberlain. No changes to the Corporation's creditworthiness policy (as set out in section 5 of the TMSS) are proposed. Officers judge that the current criteria allow the Corporation to achieve adequate diversification amongst a range of high-quality counterparties.
- The main changes to the document from last year's version are highlighted in yellow and underlined.

Recommendations

It is recommended that the **Investment Committee** reviews and approves the attached Treasury Management Strategy Statement and Annual Investment Strategy for 2026/27 and submits it to the Finance Committee and the Court of Common Council as part of the City Fund 2026/27 Budget Report for formal adoption.

It is recommended that the **Investment Committee of the City Bridge Foundation Board** reviews and approves the Treasury Management Strategy Statement and Annual Investment Strategy for 2026/27 on behalf of **City Bridge Foundation**.

Appendix - Treasury Management Strategy Statement and Annual Investment Strategy (relating Treasury Management) 2026/27 (*for Finance Committee this appendix is within the City Fund 2026/27 Budget report*).

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