



Financial Investment Board

Date: WEDNESDAY, 27 MAY 2015
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Deputy Robert Howard (Chairman)
Andrew McMurtrie, JP (Deputy Chairman)
Nicholas Bensted-Smith
Roger Chadwick
Henry Colthurst
Simon Duckworth
Tom Hoffman
Clare James
Henry Pollard
Ian Seaton
Philip Woodhouse

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Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **RESOLUTION OF THE INVESTMENT COMMITTEE**
To receive the resolution of the Investment Committee dated 14 May 2015 appointing the Board and to ratify the election of Chairman and Deputy Chairman of the Board taken at this meeting.

For Information
(Pages 1 - 2)
4. **TERMS OF REFERENCE, FREQUENCY OF MEETINGS AND 2015/16 WORK PROGRAMME**
Report of the Town Clerk.

For Decision
(Pages 3 - 8)
5. **APPOINTMENT OF FINANCIAL INVESTMENT BOARD MEMBER TO THE SOCIAL INVESTMENT BOARD**
To agree, in addition to the Chairman or his nominee, the appointment of a Financial Investment Board member to the Social Investment Board.

For Decision
6. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 5 February 2015.

For Decision
(Pages 9 - 12)
7. **OUTSTANDING ACTIONS**
Report of the Town Clerk.

For Information
(Pages 13 - 14)
8. **RISK REGISTER FOR BRIDGE HOUSE ESTATES**
Joint report of the Town Clerk, Chamberlain, City Surveyor and the Director of Culture, Heritage and Libraries.

For Decision
(Pages 15 - 24)
9. **MONTHLY INVESTMENT ANALYSIS REVIEW**
Report of the Chamberlain.

For Information
(Pages 25 - 30)
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
12. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Part 2 - Non-Public Agenda

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 5 February 2015.

For Decision
(Pages 31 - 34)
14. **REVIEW OF THE ACTIVITIES OF THE FINANCIAL INVESTMENT BOARD 2014/15**
Report of the Chamberlain.

For Information
(Pages 35 - 46)
15. **INVESTMENTS PERFORMANCE MONITORING TO 31 DECEMBER 2014**
Report of the Chamberlain.

For Information
(Pages 47 - 72)
16. **QUARTERLY INVESTMENT REPORT AS AT 31 DECEMBER 2014**
Report of Aon Hewitt.

For Information
(Pages 73 - 138)
17. **SOUTHEASTERN ASSET MANAGEMENT**
Report of Aon Hewitt.

For Information
(Pages 139 - 146)
18. **REVIEW OF PRIVATE EQUITY**
Report of the Chamberlain (TO FOLLOW).

For Information
19. **PENSION FUND - INVESTMENT IN PROPERTY**
Report of the Chamberlain (TO FOLLOW).

For Decision
20. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
21. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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TO: FINANCIAL INVESTMENT BOARD

FROM: INVESTMENT COMMITTEE Thursday 14th May 2015

7. APPOINTMENT OF BOARDS

The Town Clerk sought Members' approval on the composition and frequency of meetings of the Committee's Boards.

RESOLVED – That the composition and frequency of meetings for the Committee's Boards be agreed and the terms of reference be approved.

The Town Clerk read a list of names who had indicated their wish to serve on the Financial Investment Board and, with 11 Members indicating their willingness for 12 to 14 places, it was:-

RESOLVED – That the following Members be elected to the Financial Investment Board for the year ensuing.

Financial Investment Board

Nicholas Bensted-Smith
Roger Chadwick
Henry Colthurst
Simon Duckworth
Tom Hoffman
Deputy Robert Howard
Clare James
Andrew McMurtrie
Henry Pollard
Ian Seaton
Philip Woodhouse

Election of Chairman and Deputy Chairman to the Financial Investment Board

The Town Clerk invited Members of the newly appointed Financial Investment Board to elect a Chairman in accordance with Standing Order 29. A list of Members eligible to stand was read out and Deputy Robert Howard being the only Member indicating his willingness to serve was declared to have been elected for the year ensuing.

The Town Clerk invited Members of the newly appointed Financial Investment Board to elect a Deputy Chairman in accordance with Standing Order 30. A list of Members eligible to stand was read out and Andrew McMurtrie being the only Member indicating his willingness to serve was declared to have been elected for the year ensuing.

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Committee: Financial Investment Board	Date: 27 May 2015
Subject: Terms of Reference, Frequency of meetings and 2015/16 Work Programme	Public
Report of: Town Clerk	For Decision
Summary	
<p>This report sets out Terms of Reference for the Financial Investment Board, the frequency of meetings, proposed work programme and dates of Board meetings for the remainder of the year.</p>	
Recommendations	
<p>It is recommended that:-</p> <ul style="list-style-type: none">a) Members note the Financial Investment Board's Terms of Reference;b) Members consider the frequency of the Board's meetings set out in Appendix A; andc) Members approve the proposed work programme for 2015/16.	

Main Report

1. This report notes the Terms of Reference and composition of the Financial Investment Board. It also sets out details of the co-option arrangements adopted by the Investment Committee for all of its Boards.
2. The Board is further asked to consider the frequency of its meetings. It is proposed that the Financial Investment Board will meet 6 times a year on those dates set out at **Appendix A**.

Financial Investment Board –Terms of Reference

3. The Financial Investment Board's Terms of Reference, as agreed by the Investment Committee on 14 May 2015 are as follows:-
 - a) to approve the appointment of and to monitor the performance of investment managers of the following funds:
 - i. City's Cash
 - ii. Bridge House Estate
 - iii. Pension Fund
 - iv. Charities Pool
 - v. Hampstead Heath Trust

Together with such other funds as are under the City of London Corporation's control;

- b) to review the investment strategy for the securities investments of the Pension Fund, City's Cash, Bridge House Estates, Hampstead Heath Trust Fund and the Charities Pool;
- c) to authorise investments and approve the overall parameters within which the investment fund managers will be authorised to operate;
- d) to invest all new monies in respect of the Pension Fund and the Charities Pool;
- e) to invest such other sums as are from time to time allocated for this purpose; and
- f) to monitor the activities of the Chamberlain in connection with his role as banker to the City of London Corporation.

There is provision within Standing Orders to enable the Chairman of the Financial Investment Board to report on and speak to their activities and responsibilities in the Court of Common Council and to ensure that any decisions are taken without undue delay.

5. The Financial Investment Board's composition, subject to the agreement of the Investment Committee on 14 May 2015 is:-
 - Chairman and Deputy Chairman - To be determined by the Board
 - 12-14 Members of the Investment Committee

Financial Investment Board – Work Programme

6. Outlined in Appendix A are the reports likely to be considered by the Financial Investment Board at its meetings throughout the year. The programme is intended to be indicative, in order to give Members some idea of the reports that will be considered during its meetings and is subject to change.

Co-option arrangements

7. The Financial Investment Board, Financial Investment Board and Social Investment Board are all empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in their deliberations. The protocol concerning the co-option arrangements for each Board is attached at Appendix B and was approved by the Investment Committee on 14 May 2015.

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Financial Investment Board – Annual Work Programme

Month	Item	Lead Officer	Report of
January	NO MEETING	-	-
February ○ Thurs 4 Feb 2016	Treasury Management Strategy and Annual Investment Statement	Corporate Treasurer	Chamberlain
	Monthly Investment Analysis Review (public)	Corporate Treasurer	Chamberlain
	Private Equity report (depending on pipeline)	TBD	Chamberlain
March	NO MEETING	-	-
April	NO MEETING	-	-
NEW MUNICIPAL YEAR			
May ○ Thurs 27 May 2015	Nominations to SIB	Town Clerk	Town Clerk
	Strategic Review/End of Previous Year report	Corporate Treasurer	Chamberlain
	Ratification of Annual Work Programme	Corporate Treasurer / Town Clerk	Chamberlain / Town Clerk
	Quarterly investment report	Corporate Treasurer	Chamberlain
	Monthly Investment Analysis Review (public)	Corporate Treasurer	Chamberlain
	Private Equity report (depending on pipeline)	TBD	Chamberlain
June/July ○ Thurs 2 July 2015	Quarterly investment report (including Pension Fund Actuarial update)	Corporate Treasurer	Chamberlain
	Investment performance monitoring – Charities Pool and Hampstead Heath Trust	Corporate Treasurer	Chamberlain
	Monthly Investment Analysis Review (public)	Corporate Treasurer	Chamberlain
	Private Equity report (depending on pipeline)	TBD	Chamberlain
RECESS			

September ○ Thurs 9 Sep 2015	Quarterly Investment Report	Corporate Treasurer	Chamberlain
	Monthly Investment Analysis Review (public)	Corporate Treasurer	Chamberlain
	Private Equity report (depending on pipeline)	TBD	Chamberlain
October ○ Thurs 29 Oct 2015	Monthly Investment Analysis Review (public)	Corporate Treasurer	Chamberlain
	Private Equity report (depending on pipeline)	TBD	Chamberlain
November	NO MEETING	-	-
December ○ Tues 8 Dec 2015	Quarterly Investment Report	Corporate Treasurer	Chamberlain
	Monthly Investment Analysis Review (public)	Corporate Treasurer	Chamberlain
	Private Equity report (depending on deadline)	TBD	Chamberlain

Over the course of the year, the Financial Investment Board will report to the Investment Committee on its review of various strategies and the previous year's performance and valuation (as at 31st March).

In addition, the minutes of the last Financial Investment Board meetings will be submitted to the Investment Committee for information.

Wherever possible, at each meeting a Fund Manager will be invited to present to the Board and, depending on the agenda, 2 managers may be invited.

Protocol for co-option to the Financial Investment Board, the Property Investment Board and the Social Investment Board

1. The Financial Investment Board, the Property Investment Board and the Social Investment Board are empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in their deliberations.
2. The arrangements for co-option and the co-opted membership of individuals to the Financial Investment Board, the Property Investment Board and Social Investment Board will be reviewed on an annual basis at the May meeting of the Investment Committee (and thereafter at the first meetings of the respective Boards).
3. When suggesting individuals with relevant expertise or experience for co-option, Members of the Financial Investment Board, the Property Investment Board or the Social Investment Board will be required to:-
 - a. send a written request for co-option to the Town Clerk, specifying whom it is proposed should be co-opted to either the Financial Investment Board or the Property Investment Board and the reasons for their co-option;
 - b. send a CV or supporting statement, for the individual being suggested for co-option, to the Town Clerk. Bearing in mind the Board's terms of reference, the letter and supporting statement or CV should demonstrate the individual's relevant skills and experience.
4. For the Standards Committee, is it considered inappropriate for past Members of the Court of Common Council or former City Corporation employees to be eligible to serve as [independent] outside members and Members will need to consider if the same conditions should apply in respect of co-option to the Financial Investment Board, the Property Investment Board and Social Investment Board. It would be inappropriate for a close friend or relative of any Member or officer to serve or indeed an employee of any organisation of which the City Corporation is a client.
5. The Town Clerk will consult the relevant Chief Officer to discuss the co-option request and will, if necessary, prepare a report for the next meeting of the respective Board. Members of the respective Board will then be asked to consider the co-option request.
6. Unless co-option is time-banded or topic/project restricted, co-opted Members of the Financial Investment, the Property Investment Board and Social Investment Board will be entitled to attend all meetings of the respective Board for a maximum of 12 months (prior to the annual review in May) and to receive all committee-related documentation, including exempt papers, unless otherwise determined by the Town Clerk in consultation with the relevant Chief Officer.

7. The Financial Investment Board, the Property Investment Board and the Social Investment Board are empowered to approve their own co-opted membership (majority vote) without prior consultation with, or agreement by, the Investment Committee. The Town Clerk will inform the Chairman and Deputy Chairman of the Committee once a Board has agreed co-option of an individual.
8. Co-opted Members would not have voting rights.
9. Co-opted Members of the Financial Investment Board, the Property Investment Board and Social Investment Board will be required to complete a Register of Interest form and declare personal and prejudicial interests when in attendance at meetings.

FINANCIAL INVESTMENT BOARD

Thursday, 5 February 2015

Minutes of the meeting of the Financial Investment Board held at Guildhall, EC2 on Thursday, 5 February 2015 at 1.45 pm

Present

Members:

Deputy Robert Howard (Chairman)
Andrew McMurtrie (Deputy Chairman)
Deputy Ken Ayers
Nicholas Bensted-Smith
Henry Colthurst
Simon Duckworth
Stuart Fraser
Tom Hoffman
Clare James
Deputy Henry Pollard
Ian Seaton
Philip Woodhouse

Officers:

Philippa Sewell	Town Clerk's Department
Peter Kane	Chamberlain
Caroline Al-Beyerty	Chamberlain's Department
Kate Limna	Chamberlain's Department
Emily McGuire	Aon Hewitt
Gary Allen	Aon Hewitt

- 1. APOLOGIES**
There were no apologies.
- 2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
Deputy Henry Pollard declared an interest by virtue of his employment at Invesco.
- 3. MINUTES OF THE PREVIOUS MEETING**
RESOLVED - That the public minutes and non-public summary of the meeting held on 3 December 2014 be agreed as an accurate record.
- 4. OUTSTANDING ACTIONS**
RESOLVED – That the report be noted.

5. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2015/16**

The Board received a report of the Chamberlain setting out the City's Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16. Members noted that the revised sections had been highlighted and that additional wording at paragraph 5 would be added regarding Capita's views. This report would go to the Finance Committee for approval before being presented to the Court of Common Council.

RESOLVED – That the Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16 be approved and submitted to the Court of Common Council for formal adoption.

6. **MONTHLY INVESTMENT ANALYSIS REVIEW**

The Board received the monthly review for December 2014, which detailed the list of current investments.

RESOLVED – That the report be noted.

7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business.

9. **EXCLUSION OF THE PUBLIC**

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.	Paragraph(s) in Schedule 12A
10-14, 15	3
16	-

10. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

RESOLVED - That the non-public minutes of the meeting held on 3 December 2014 be agreed as an accurate record.

11. **SOUTHEASTERN**

The Board received a presentation from Southeastern, after which Members had the opportunity to ask questions.

12. **FINANCIAL INVESTMENT BOARD HANDBOOK**

The Board considered the draft Financial Investment Board handbook pages.

13. **PRIVATE EQUITY PIPELINE UPDATE**

The Board received a report of Aon Hewitt.

14. **MULTI-ASSET POST TRANSITION REPORT**

The Board received a report of Aon Hewitt.

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

There was one non-public question.

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

There was no other business.

The meeting ended at 3.42 pm

Chairman

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Financial Investment Board – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	6 Nov 2014	Pension Fund Officers to look at Pension Fund objective.	Corporate Treasurer / Chamberlain	Being discussed with Chairman.	Being discussed with Chairman.
2.	6 Nov 2014	Review of Private Equity Investments	Corporate Treasurer / Chamberlain	May 2015	On May agenda.
3.	5 Feb 2015	Southeastern Officers to circulate a short paper outlining Southeastern's process regarding risk constraints	Corporate Treasurer / Chamberlain	May 2015	On May agenda.
4.	5 Feb 2015	Southeastern An options paper be brought to the next Board meeting.	Corporate Treasurer / Chamberlain	May 2015	On May agenda.
5.	5 Feb 2015	Charities Pool A list of organisations holding money in the Charities Pool be circulated.	Corporate Treasurer / Chamberlain	ASAP	Sent on 5 February 2015.

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Agenda Item 8

Committee(s):	Date(s):
Finance	12 May 2015
Planning & Transportation	12 May 2015
The City Bridge Trust	13 May 2015
Property Investment Board	20 May 2015
Culture, Heritage and Libraries	26 May 2015
Financial Investment Board	27 May 2015
Subject: Risk Register for Bridge House Estates	
Report of: Town Clerk Chamberlain City Surveyor Director of Culture, Heritage and Libraries	Public For Decision
<ol style="list-style-type: none"> 1. This report provides a key risks register for Bridge House Estates. 2. In accordance with the Charity Commission’s Statement of Recommended Practice (SORP), Trustees are required to confirm in the charity’s annual report that any major risks to which the charity is exposed have been identified and reviewed and that systems are established to mitigate those risks. 3. The Charities SORP requires that the register is reviewed annually to ensure that existing risks are reconsidered and any new risks are identified. 	

Review of Risks

4. The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy as approved by the Audit and Risk Management Committee. The section of the Strategy which explains how risks are assessed and scored is reproduced at Annex A of this report.
5. Each risk in the register has been considered by the responsible officer within the Corporation who is referred to as the 'Risk Owner' in the register.
6. The risks have been divided across 6 annexes (B1 to B6), with each annex containing the risks to be considered by each of the managing committees as set out below (for each committee, any red graded risks and any changed risk ratings are noted below).
 - **Finance Committee:** in respect of information systems (Annex B1)
 - There are no red graded risks for this Committee to consider
 - There are no changed risk ratings for this Committee to consider;
 - **Financial Investment Board:** specifically reviewing non-property investments (Annex B2)
 - There are no red graded risks for this Committee to consider
 - There are no changed risk ratings for this Committee to consider;
 - **Property Investment Board:** specifically reviewing the investment property estate (Annex B3)
 - This committee has two red graded risks (8 and 9) to consider
 - There are no changed risk ratings for this Committee to consider;
 - **Planning and Transportation Committee:** in respect of the five bridges (Annex B4)
 - This committee has two red graded risks (12 and 16) to consider
 - There is one changed risk rating to consider: risk 18 has reduced from amber to green;
 - **Culture, Heritage and Libraries Committee:** in respect of the tourism operation at Tower Bridge (Annex B5)
 - This committee has one red graded risk (number 20) to consider
 - There is one changed risk rating to consider: risk 20 has increased

from amber to red; and

- **City Bridge Trust Committee:** in respect of the grant making function (Annex B6)
 - There are no red graded risks for this Committee to consider
 - There are no changed risk ratings for this Committee to consider.

Red Graded Risks

7. It is recommended that the red graded risks (risk numbers 8, 9, 12, 16 and 20) be included on the relevant managing committees own risk register in future to ensure regular monitoring and review during the year.

Conclusions

8. The various risks faced by Bridge House Estates have been reviewed and Members are asked to confirm that the attached register satisfactorily sets out the key risks together with their potential impact and that appropriate measures are in place to mitigate the risks identified.

Recommendations

9. It is recommended that:
 - the register is reviewed to confirm it satisfactorily sets out the risks facing the charity;
 - the register is reviewed to confirm that appropriate measures are in place to mitigate those risks; and
 - the red graded risks (risk numbers 8, 9, 12, 16 and 20) are included on the relevant managing committees own risk registers to ensure regular monitoring and review during the year.

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City of London Risk Management Strategy

Assessing Risks

Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating.

The City of London Corporation uses a 4 point scale and the multiple of the likelihood and impact gives us the risk score, which is used to determine the risk profile. See the 'Risk Scoring' section below on how risks should be scored.

The following chart shows the area the risk will fall in to dependant on its score, with red being the most severe and green being the least. The scores within the chart are multiples of the likelihood and impact.

e.g. (Likelihood of) 4 x (Impact of) 4 = (Risk Score of) 16

Impact scores increase by a factor of 2, thus having greater weighting in comparison to the Likelihood scores.

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	Likely (4)	4	8	16	32
	Possible (3)	3	6	12	24
	Unlikely (2)	2	4	8	16
	Rare (1)	1	2	4	8

COL risk matrix

What the colours mean (as a guide):

- Red (dark grey) - Urgent action required to reduce rating
- Amber (light grey) - Action required to maintain or reduce rating
- Green (mid grey) - Action required to maintain rating.

Risk scoring

Risk scoring is purely subjective. Perceptions of a risk will vary amongst individuals and hence it is better to score the risk collectively than leave it to one person's judgement.

Definitions

1. **Original/Gross score:** the level of risk perceived before any mitigating actions/controls have been put in place.
2. **Current/Net score:** the level of risk currently perceived by the user/management, taking in-to account any controls.
3. **Target score:** the preferable score for the risk to be in order for it to be manageable, thinking in term of what resources are available, and the ability of the Corporation to directly manage the risk once external factors are considered.

Risk scoring method

Risks are scored in terms of likelihood and impact

→ Risk should be scored by first determining how likely it is to occur (**Likelihood**)

→ It should then be rated according to the worst case scenario if it should arise (**Impact**).

Likelihood scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

	Rare	Unlikely	Possible	Likely
	1	2	3	4
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10 ⁻⁵)	Less than one chance in ten thousand (<10 ⁻⁴)	Less than one chance in a thousand (<10 ⁻³)	Less than one chance in a hundred (<10 ⁻²)

Impact scoring guide

The criterion below is not exhaustive and intended to be used as a guide. **You will need to come to a management consensus when scoring risks.**

		Minor	Serious	Major	Extreme
		1	2	4	8
THREATS	Service Delivery / Performance	Minor impact on service, typically up to 1 Day	Service Disruption 2-5 Days	Service Disruption > 1 week to 4 weeks	Service Disruption > 4 weeks
	Financial	Financial loss up to 5% of Budget	Financial loss up to 10% of Budget	Financial loss up to 20% of Budget	Financial loss up to 35% of Budget
	Reputation	Isolated service user/stakeholder complaints contained within business unit/division	Adverse local media coverage/multiple service user/stakeholder complaints	Adverse national media coverage 1-3 days	National publicity more than 3 days. Possible resignation of leading Member or Chief Officer.
	Legal / Statutory	Litigation claim or fine less than £5,000	Litigation claim or fine between £5,000 and £50,000	Litigation claim or fine between £50,000 and £500,000	Multiple civil or criminal suits. Litigation claim or fine in excess of £500,000
	Safety / Health	Minor incident including injury to one or more individuals	Significant Injury or illness causing short term disability to one or more person	Major injury or illness/disease causing long term disability to one or more person.	Fatality or life threatening illness / disease (e.g. Mesothelioma) to one or more persons
	Objectives	Failure to achieve Team plan objectives	Failure to achieve one or more service plan objective	Failure to achieve a Strategic plan objective	Failure to achieve a major corporate objective

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BHE Risks to be considered by the FINANCIAL INVESTMENT BOARD (risks 2 and 3 only)

Risk No.	Risk (Short description)	Risk Owner	Committee	Existing Controls	Current Risk				Planned Actions	Target Risk		
					Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
Income												
2	The income from non-property investments may significantly decline.	Chamberlain	Financial Investment Board	Investment strategy devised to reduce financial risk through use of a range of Fund Managers implementing different investment mandates. Monitoring of fund managers' performance by Chamberlain/ Financial Investment Board.	Possible	Major	A	↔	Continue with current course of action	Possible	Major	A
3	Investment income from cash balances reduces significantly impacting on need to set a balanced budget.	Chamberlain	Financial Investment Board	Surplus cash invested with a carefully selected and regularly reviewed range of counterparties and across various time periods to maximise returns. Annual financial survey and financial forecast enables in-depth analysis of position, with actual returns being closely monitored throughout the year.	Possible	Minor	G	↔	Continue with current course of action	Possible	Minor	G

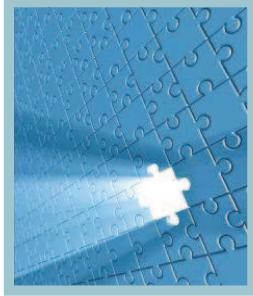
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City Of London Corporation

Monthly Investment Analysis Review

April 2015



Monthly Economic Summary

General Economy

Throughout April, speculation and uncertainty over the general election outcome caused markets to remain cautious. Surprisingly poor US employment data now points to a Fed rate hike in September as opposed to June. Meanwhile, the UK narrowly avoided slipping into deflation territory and held the headline inflation rate steady at 0%.

The month kicked off with positive news from PMI activity surveys. The services sector hit an eight month high of 58.9, beating economists’ forecasts of a much more modest rise to 57.0. Whilst growth at the moment remains largely reliant on domestic demand, there were signs that investment demand and export orders had picked up which are much needed to put economic growth on a more solid footing. The construction industry sloped back in March as companies delayed spending ahead of the general election in May. However, manufacturing hit its fastest rate for eight months, rising from 54.0 to 54.4.

The Monetary Policy Committee (MPC) remained unanimous on no rate hike this month and the minutes later revealed that policymakers at the Bank of England have become more upbeat about the outlook for the Eurozone and believe that inflation could recover strongly next year.

British inflation held steady in March at the record-low level of 0%, however this is unlikely to trigger a policy change from the MPC as the sharp fall seen in inflation has been driven by a one off slump in oil prices and by falls in food and gas prices. Economists still forecast inflation to dip into negative territory in the coming months, although this is seen as being positive in the run up to the General Election as households benefit from the extra disposable income.

The strong pound weighed on trade deficit figures which were announced for February, showing that the value of exports fell to £23.16bn, the lowest level since September 2010. Unfortunately, this news will do little to ease concerns that the economy is still too dependent upon consumer spending. However, public finance data proved to be much more positive, as the public sector net borrowing figure in March was £7.4bn, down 5.6% from a year earlier. This means that the Chancellor George Osborne was comfortably below his target for reducing the country’s deficit in the 2014/15 financial year with a total deficit for the year of £87.3bn.

Retail sales fell by 0.5% in March, hit by the biggest slump in fuel sales in nearly three years. Many believed that this was pointing to a slowdown in economic growth for Q1 2015, and they were proven correct. The first estimate for Q1 growth in the UK came in at 0.3%, compared with 0.6% last quarter, a slower pace than economists’ expectations. Whilst there was growth in the services industry, this was offset by a 1.6% fall in construction. This slowdown is seen as temporary and strong growth throughout 2015 is still expected.

Consumer confidence in the UK held steady in April, according to the GfK measure, remaining at +4. The public took a slightly brighter view on the outlook of the economy and their personal finances but the index didn’t gain any momentum over the last month. That said, this measure currently stands at the highest level in more than twelve years.

In the Eurozone, the European Central Bank (ECB) announced that they would keep interest rates unchanged at the record low of 0.05% while it focuses on the bond-buying programme to help boost the economy. Almost six weeks into this programme, the ECB are already claiming some improvement as the economy picks up and lending recovers. Four months of deflation ended in April with consumer prices unchanged from a year ago, which will be welcome news for the ECB especially as economists are now predicting that inflation will turn positive in the second half of the year.

In the US, the beginning of April saw an unexpectedly weak employment report with a well below consensus announcement of only a 126,000 increase in non-farm payrolls. This was due to poor weather, a strong dollar and weakness in the energy sector, although a recent run of strong employment data suggests that this may just be a temporary blip. GDP figures released later in the month were also disappointing as Q1 growth slowed to 0.2% from 2.2% in Q4 2014, following poor consumer spending and a strong dollar. The Fed noted the slower economy in their statement for the April meeting and said that business investment had also softened and exports had declined. They removed all calendar references and timetables, suggesting that any rate hike decision will be wholly data dependent.

Housing Market

Mortgage lender Halifax reported house price growth of 0.4% in March, from a decline of 0.4% in February. Prices also increased by 8.1% in the first quarter of 2015, a slight fall from the three months to February figure of 8.3%. Nationwide stated that house prices rose at the fastest monthly pace since June 2014 in April, to show growth of 1.0%, from 0.1% in March. This came as a sign that the housing market may be starting to gain momentum once again. Helped by healthy labour market conditions and continued low mortgage rates, this will help underpin housing demand in the quarters ahead.

Forecast

Capita Asset Services did not alter its forecast this month. Capita Asset Services expects the first rate hike to come in the first quarter of 2016. Capital Economics did alter their forecast in April. They now expect the first Bank Rate increase to come in Q2 2016.

	Bank Rate	Jun-15	Sep-15	Dec-15	Mar-16	Jun-15
Capita Asset Services		0.50%	0.50%	0.50%	0.75%	0.75%
Capital Economics		0.50%	0.50%	0.50%	0.50%	0.75%

City Of London Corporation

Current Investment List

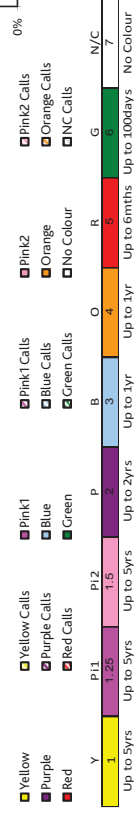
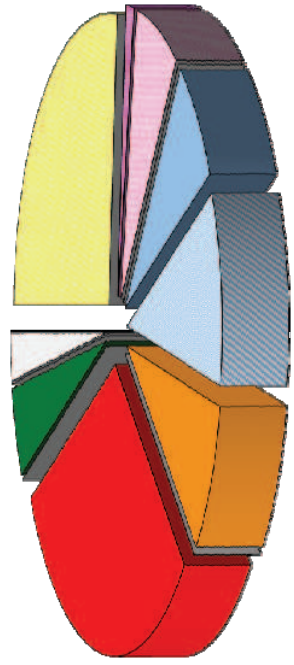
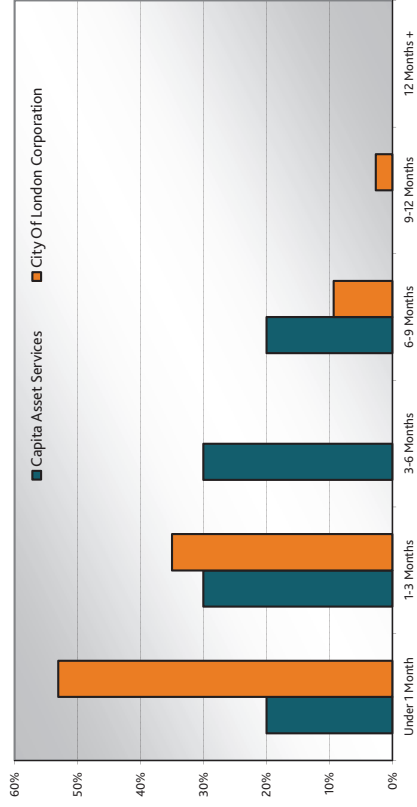
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Ignis	32,300,000	0.47%		MMF	AAA	0.000%
EMMF IGNIS Short Duration Cash Fund	5,000,000	0.62%		EMMF	AAA	0.000%
MMF Federated Investors (UK)	77,000,000	0.46%		MMF	AAA	0.000%
EMMF Prime Rate Cash Plus Fund	5,000,000	0.59%		EMMF	AAA	0.000%
MMF Invesco	82,500,000	0.44%		MMF	AAA	0.000%
MMF CCLA	10,000,000	0.41%		MMF	AAA	0.000%
EMMF Payden Sterling Reserve Fund	55,000,000	1.19%		EMMF	AAA	0.000%
Lloyds Bank Plc	83,000,000	0.50%		Call	A	0.000%
Nationwide Building Society	4,400,000	0.50%	04/02/2015	05/05/2015	A	0.001%
Yorkshire Building Society	4,400,000	0.47%	04/02/2015	06/05/2015	BBB+	0.002%
Nationwide Building Society	2,100,000	0.50%	06/02/2015	06/05/2015	A	0.001%
Lloyds Bank Plc	5,000,000	0.95%	07/05/2014	07/05/2015	A	0.001%
Lloyds Bank Plc	16,000,000	0.93%	07/05/2014	07/05/2015	A	0.001%
Yorkshire Building Society	3,000,000	0.47%	05/02/2015	08/05/2015	BBB+	0.003%
Australia and New Zealand Banking Group Ltd	8,100,000	0.40%	09/02/2015	11/05/2015	AA-	0.000%
Nationwide Building Society	4,400,000	0.50%	16/02/2015	18/05/2015	A	0.003%
Australia and New Zealand Banking Group Ltd	4,500,000	0.47%	19/02/2015	19/05/2015	AA-	0.000%
Australia and New Zealand Banking Group Ltd	4,800,000	0.50%	26/02/2015	26/05/2015	AA-	0.000%
Nationwide Building Society	10,500,000	0.50%	04/03/2015	04/06/2015	A	0.006%
Nationwide Building Society	2,700,000	0.50%	04/03/2015	04/06/2015	A	0.006%
Nationwide Building Society	10,000,000	0.50%	04/03/2015	05/06/2015	A	0.006%
Yorkshire Building Society	5,000,000	0.47%	04/03/2015	08/06/2015	BBB+	0.016%
Coventry Building Society	2,300,000	0.45%	04/03/2015	08/06/2015	A-	0.007%
Australia and New Zealand Banking Group Ltd	7,600,000	0.40%	04/03/2015	09/06/2015	AA-	0.001%
Nationwide Building Society	2,400,000	0.50%	09/03/2015	09/06/2015	A	0.007%
Nationwide Building Society	10,500,000	0.51%	05/03/2015	10/06/2015	A	0.007%
Coventry Building Society	5,000,000	0.45%	10/03/2015	10/06/2015	A-	0.007%
Svenska Handelsbanken AB	5,000,000	0.48%	05/03/2015	11/06/2015	AA-	0.001%
Nationwide Building Society	9,400,000	0.52%	05/03/2015	11/06/2015	A	0.007%
Lloyds Bank Plc	5,000,000	0.57%	11/03/2015	11/06/2015	A	0.007%
Nationwide Building Society	6,600,000	0.51%	16/03/2015	15/06/2015	A	0.008%
Yorkshire Building Society	2,400,000	0.47%	16/03/2015	16/06/2015	BBB+	0.019%
National Australia Bank Ltd	7,000,000	0.43%	17/03/2015	17/06/2015	AA-	0.001%
Nationwide Building Society	5,000,000	0.50%	17/03/2015	17/06/2015	A	0.008%
Nationwide Building Society	1,000,000	0.50%	18/03/2015	18/06/2015	A	0.008%
Leeds Building Society	3,900,000	0.48%	18/03/2015	25/06/2015	A-	0.010%
Leeds Building Society	10,300,000	0.49%	20/03/2015	26/06/2015	A-	0.010%
Nationwide Building Society	7,000,000	0.54%	31/03/2015	29/06/2015	A	0.010%
Coventry Building Society	4,500,000	0.45%	30/03/2015	30/06/2015	A-	0.010%

City Of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Nationwide Building Society	15,000,000	0.55%	30/03/2015	01/07/2015	A	0.011%
Svenska Handelsbanken AB	20,000,000	0.49%	02/04/2015	02/07/2015	AA-	0.001%
Nationwide Building Society	2,100,000	0.50%	02/04/2015	03/07/2015	A	0.011%
Barclays Bank Plc	35,200,000	0.65%	05/01/2015	06/07/2015	A	0.011%
Nationwide Building Society	8,500,000	0.50%	07/04/2015	07/07/2015	A	0.012%
National Australia Bank Ltd	6,500,000	0.42%	09/04/2015	08/07/2015	AA-	0.001%
Leeds Building Society	5,800,000	0.52%	01/04/2015	09/07/2015	A-	0.012%
Coventry Building Society	7,800,000	0.46%	09/04/2015	10/07/2015	A-	0.012%
Nationwide Building Society	5,400,000	0.50%	16/04/2015	16/07/2015	A	0.013%
Barclays Bank Plc	25,000,000	0.55%	10/04/2015	20/07/2015	A	0.014%
Nationwide Building Society	7,000,000	0.52%	16/04/2015	20/07/2015	A	0.014%
National Australia Bank Ltd	3,400,000	0.42%	22/04/2015	22/07/2015	AA-	0.002%
Yorkshire Building Society	3,200,000	0.47%	22/04/2015	29/07/2015	BBB+	0.037%
Barclays Bank Plc	39,000,000	1.00%	27/11/2014	27/11/2015	A	0.036%
Lloyds Bank Plc	32,200,000	1.00%	22/12/2014	22/12/2015	A	0.040%
Skipton Building Society	20,000,000	1.05%	22/04/2015	22/04/2016	BBB-	0.147%
Total Investments	£765,700,000	0.62%				0.011%

Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



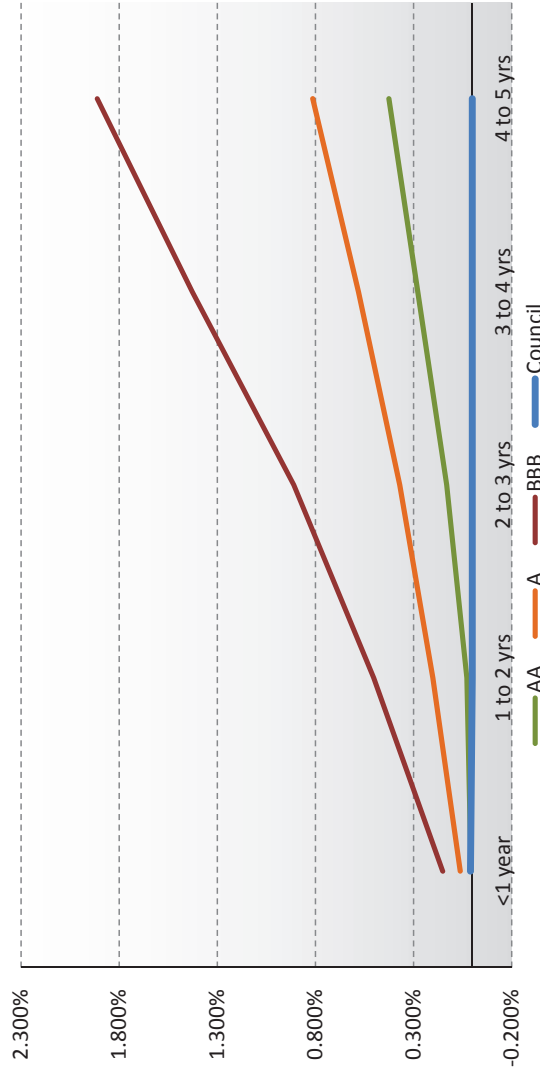
Portfolios weighted average risk number =

WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	26.35%	£201,800,000	100.00%	£201,800,000	0.45%	0	0	0	0
Pink1	1.31%	£10,000,000	100.00%	£10,000,000	0.61%	0	0	0	0
Pink2	7.18%	£55,000,000	100.00%	£55,000,000	1.19%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0	0	0	0
Blue	18.44%	£141,200,000	58.78%	£83,000,000	0.68%	56	141	137	342
Orange	8.74%	£66,900,000	0.00%	£0	0.45%	47	92	47	92
Red	30.40%	£232,800,000	0.00%	£0	0.61%	83	153	83	153
Green	4.96%	£38,000,000	0.00%	£0	0.48%	49	96	49	96
No Colour	2.61%	£20,000,000	0.00%	£0	1.05%	358	366	358	366
100.00%	£765,700,000	45.68%	45.68%	£349,800,000	0.62%	51	95	81	175

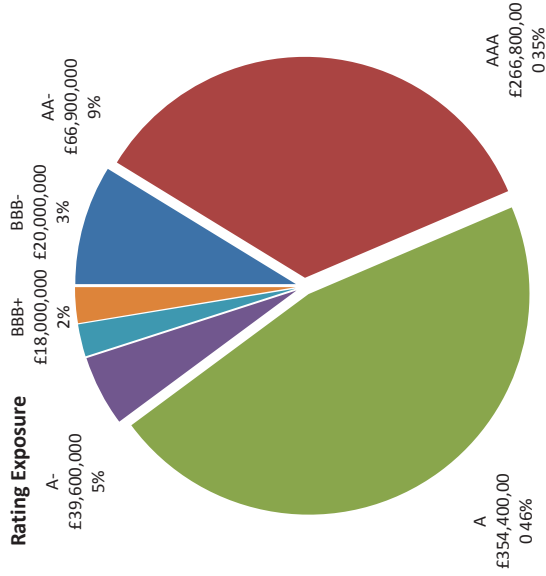
Investment Risk and Rating Exposure

Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.007%	0.029%	0.130%	0.278%	0.425%
A	0.062%	0.202%	0.370%	0.581%	0.813%
BBB	0.150%	0.502%	0.910%	1.428%	1.912%
Council	0.011%	0.000%	0.000%	0.000%	0.000%



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

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