



## Financial Investment Board

**Date:** THURSDAY, 29 JUNE 2017  
**Time:** 1.45 pm  
**Venue:** COMMITTEE ROOMS - WEST WING, GUILDHALL

**Members:** Andrew McMurtrie (Chairman)  
Nicholas Bensted-Smith (Deputy Chairman)  
Alexander Barr  
Henry Colthurst  
Alderman Robert Howard  
Deputy Jamie Ingham Clark  
Deputy Clare James  
Tim Levene  
Andrien Meyers  
Deputy Henry Pollard  
James de Sausmarez  
Ian Seaton  
Deputy Philip Woodhouse

**Enquiries:** Sacha Than (interim cover)  
tel. no.: 020 7332 3419  
sacha.than@cityoflondon.gov.uk

**Lunch will be served in 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. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes and non-public summary of the meeting held on 18 May 2017.  
  
**For Decision**  
(Pages 1 - 4)
4. **OUTSTANDING ACTIONS**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 5 - 6)
5. **MONTHLY INVESTMENT ANALYSIS REVIEW**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 7 - 18)
6. **RISK REGISTER FOR BRIDGE HOUSE ESTATES**  
Report of the Chamberlain.  
  
**For Decision**  
(Pages 19 - 26)
7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
9. **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.

**For Decision**

## **Part 2 - Non-Public Agenda**

10. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held of 18 May 2017.

**For Decision**

(Pages 27 - 30)

11. **NON-PUBLIC OUTSTANDING ACTIONS**

Report of the Town Clerk.

**For Information**

(Pages 31 - 32)

12. **TREASURY MANAGEMENT - MEDIUM TERM CASH INVESTMENT OPPORTUNITIES**

Report of the Chamberlain (To Follow).

**For Decision**

(Pages 33 - 44)

13. **REVIEW OF INVESTMENT STRATEGY**

Report of Mercer.

**For Decision**

(Pages 45 - 50)

14. **HAMPSTEAD HEATH TRUST & CHARITIES POOL INVESTMENT PERFORMANCE MONITORING TO 31 MARCH 2017**

Report of the Chamberlain.

**For Information**

(Pages 51 - 54)

15. **CHARITIES POOL SURVEY RESULTS**

Report of the Chamberlain.

**For Decision**

(Pages 55 - 60)

16. **SIR WILLIAM COXEN TRUST FUND PERFORMANCE MONITORING TO 31 MARCH 2017**

Report of the Chamberlain.

**For Discussion**

(Pages 61 - 64)

17. **PROPERTY INVESTMENTS - FEES**

Report of the Chamberlain.

**For Information**

(Pages 65 - 68)

18. **INVESTMENT MONITORING**

**For Information**

- a) Investment Performance Monitoring to 31 March 2017 (Pages 69 - 96)  
Report of the Chamberlain.
- b) Quarterly Monitoring Report Q1 2017 (Pages 97 - 114)  
Report of Mercer.

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

## **FINANCIAL INVESTMENT BOARD**

**Thursday, 18 May 2017**

**Minutes of the meeting of the Financial Investment Board held at the Guildhall EC2 at 1.45 pm**

### **Present**

#### **Members:**

Andrew McMurtrie (Chairman)  
Nicholas Bensted-Smith (Deputy  
Chairman)  
Henry Colthurst  
Alderman Robert Howard  
Deputy Jamie Ingham Clark  
Deputy Clare James

Andrien Meyers  
Deputy Henry Pollard  
James de Sausmarez  
Ian Seaton  
Deputy Philip Woodhouse

#### **Officers:**

Philippa Sewell	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Tom Broughton	-	Chamberlain's Department
Kate Limna	-	Chamberlain's Department
Catrina Arbuckle	-	Mercer

### **1. APOLOGIES**

Apologies were received from Alex Barr and Tim Levene.

The Chairman welcomed new Members of the Board, Alex Barr and Tim Levene (in their absence), Andrien Meyers and Deputy Jamie Ingham Clark. The Chairman also thanked outgoing Members of the Board Deputy Roger Chadwick, Alderman Peter Hewitt, Deputy Edward Lord and Deputy Tom Hoffman.

### **2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

The Chairman advised that he and his wife were attending the Chelsea Flower Show as guests of M&G.

### **3. RESOLUTION OF THE INVESTMENT COMMITTEE**

The resolution from the Investment Committee on the appointment of the Financial Investment Board and its Chairman and Deputy Chairman was noted. With regards to the Financial Investment Board's appointments to the Social Investment Board, Members agreed that the current appointees should continue.

**RESOLVED – That:**

- a) the Board's appointment and election of Chairman and Deputy Chairman, which took place at the Investment Committee on 17 May 2017, be ratified; and
- b) the Chairman and Deputy Chairman be appointed to the Social Investment Board.

4. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED -** That the public minutes and non-public summary of the meeting held on 2 February 2017 be agreed as a correct record.

5. **REPORT OF ACTION TAKEN BETWEEN MEETINGS**

The Board received a report of the Town Clerk outlining a decision taken since the last meeting.

**RESOLVED –** That the report be noted.

6. **OUTSTANDING ACTIONS**

The Board received the list of Outstanding Actions. In response to a proposal in invite Artemis to a future meeting, the Board noted that the fund manager was unable to attend the next meeting in June and, as such, agreed for an informal meeting to be arranged with them and the Chairman and Deputy Chairman. A Member advised that he had heard that Adrian Gosden, who left Artemis in 2016, might be managing a new fund later this year.

**RESOLVED –** That the report be noted, and a meeting with Artemis Fund Managers be arranged outside of the meeting.

7. **MONTHLY INVESTMENT ANALYSIS REVIEW**

The Board received the monthly review for March 2017 which detailed the list of current investments. Members discussed the report in detail and, with regard to cash balances, the Chairman advised that a significant proportion of balances would be drawn down over the coming years to fund various major projects (such as Museum of London) and the £200m held as part of the City's contribution to Crossrail had been paid.

Officers advised that a report would be coming to the Board's June meetings regarding medium term (i.e. two years) investment options and setting out the timeline for the major projects being funded. In response to a Member's question regarding UK Index Linked Gilts, officers advised investments could be done via Capita and undertook to report back regarding the period of investment.

**RESOLVED –** That up to £50m be invested with UK Index Linked Gilts and officers report back as to the period of investment.

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

There were no questions.

9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**  
The Chairman thanked officers and those involved with the Investment Committee Dinner held last month, which had been very successful and well received.

10. **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
11-19	3
20-21	-

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
**RESOLVED** - That the non-public minutes of the meeting held on 2 February 2017 be agreed as a correct record.

12. **NON-PUBLIC REPORT OF ACTION TAKEN BETWEEN MEETINGS**  
The Board received a report of the Town Clerk outlining a decision taken since the last meeting.

**RESOLVED** – That the report be noted.

13. **SIR WILLIAM COXEN TRUST FUND (206936) - PROPOSED APPOINTMENT OF THE CITY CORPORATION TO MONITOR THE CHARITY'S INVESTMENTS AND THEIR PERFORMANCE**  
The Board considered a joint report of the Chamberlain and the Comptroller & City Solicitor.

14. **UPDATE OF FINANCIAL INVESTMENT BOARD ACTIVITIES 2016/17**  
The Board noted a report of the Chamberlain.

15. **PROPERTY INVESTMENTS**  
The Board considered an oral report of the Chamberlain.

16. **INVESTMENT MONITORING**  
The Board considered two reports, one of the Chamberlain and one of Mercer, regarding investment performance.

17. **MANAGER FEE REVIEW**  
The Board received a report of Mercer.

18. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were no non-public questions.

19. **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 closed at 2.55 pm**

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Chairman

**Contact Officer: Philippa Sewell  
tel. no.: 020 7332 1426  
[philippa.sewell@cityoflondon.gov.uk](mailto:philippa.sewell@cityoflondon.gov.uk)**



### Financial Investment Board – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	18 May 2017	<b>UK Index Linked Gilts</b> Officers to confirm the period of investment.	Corporate Treasurer / Chamberlain	June Board meeting	Update at meeting.

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City Of London Corporation  
Monthly Investment Analysis Review  
May 2017



## City Of London Corporation

### Monthly Economic Summary

#### General Economy

May was a month dominated by party manifesto releases ahead of the snap election on the 8<sup>th</sup> June. The Tory lead over Labour in the polls was halved after the releases with the Conservatives dropping 5% to 43% whilst Labour gained 5%, pushing them up to 34%. The Liberal Democrats have also gained momentum in recent polls, suggesting the election will be closer than many first thought.

The Manufacturing Purchasing Managers Index was the first release after the early May Bank Holiday. It spiked to a three year high of 57.3 in April from 54.2 in March. This jump was predominantly down to the weaker Sterling helping new factory orders increase. Construction PMI followed the positive trend as it accelerated to a four month high of 53.1 in April. Within the report, civil engineering saw its fastest pace of growth in a year, while house building registered a fourth consecutive month of improvement. As usual Services PMI was the last to be released and this echoed the positive releases from the previous two surveys as it rose to an unexpected four month high of 55.8, from 55.0 in March.

The Bank of England (BoE) released its Quarterly Inflation Report during the early stages of the month, noting that they may need to raise interest rates before the late 2019 date that markets had been pricing in as the Report was being compiled. The BoE amended its growth forecast for the UK to reach 1.9% in 2017. Inflation forecasts are now expected to remain above the 2% target until 2020. The report also noted that the Bank expects to see a pick-up in foreign trade and investment in 2017, which should offset a shortfall in domestic demand. Implications are that the BoE could raise interest rates for the first time since 2007 just as we leave the European Union.

UK CPI jumped up again in April, rising to its highest level since late 2013. Consumer prices increased at an annual rate of 2.7% up from the 2.3% increase seen in the previous month. The monthly rate showed that prices rose by 0.5% in April. The weaker Sterling, as a result of the Brexit vote almost a year ago, and the rise in oil prices globally are still seen to be instrumental in this jump. Other measures of inflation continued the upward trend as the annual growth rate in the Retail Price Index (RPI) rose to 3.5% from 3.1% in March. The rising inflation took its toll on household spending as Britain's economy slowed by more than previously thought in the first quarter of this year. Q1 grew at a quarterly rate of just 0.2%, down from the initial estimate of 0.3%. Meanwhile, the annual rate was at 2.0%, below the forecast of 2.1%.

There were positives and negatives with the UK unemployment release last month. On a positive note the unemployment rate dropped to 4.6% - a 42 year low with 31.947m people in work. However, more importantly wage growth grew by just 2.1% on an annual basis. This was significant as it fell behind the inflation level, tightening the current squeeze on household's disposable income and thus overshadowed the positive fall in the unemployment rate. Elsewhere, consumer credit in the 12 months to March was also disappointing as it grew by 10.2%, the weakest increase since July of last year.

UK trade was another disappointing release this month. Britain's goods trade deficit widened to £13.441bn taking the total trade deficit for the first quarter of 2017 to £10.540bn. This was down to growth in export orders slowing to 0.2% whilst import volumes jumped by 3.3%. UK Public Finances continued this negative trend as VAT revenues stalled in April. This caused the deficit to widen further than expected to £10.4bn, 13.1% higher compared with the same period last year.

On a more positive note, UK retail sales rebounded by more than expected in April. After a poor recording in March, retail sales grew at a monthly rate of 2.3% whilst the annual rate was recorded at 4.0%, showing British shoppers are shrugging off inflation pressures as the sun begins to appear. The UK GfK consumer confidence reading showed confidence rose to a four-month high in May to -5 from -7 in April, suggesting consumer demand is not slowing as previously anticipated, in light of the Brexit vote.

Further afield, Eurozone Q1 GDP flash estimates were released in April. The annual growth rate was recorded at 1.7% whilst the quarterly figure was at 0.5%. Romania produced one of the strongest annual rates at 5.6% whilst Greece's negative 0.5% growth rate proved to be one of the lowest. Elsewhere, the unemployment rate in the bloc remained stable at 9.3% in April 2017 as it fell from a downwardly revised 9.4% recorded in March 2017. This is the lowest rate recorded in the euro area since March 2009. The EU28 unemployment rate dropped to 7.8% in April from 7.9%. Spain had one of the highest unemployment rates at 17.8% whilst the Czech Republic had one of the lowest rate recorded at 3.2%.

Across the pond the Federal Reserve's meeting minutes were released for April. The Committee concluded to keep interest rates at the range of 0.75%-1.0% in April after raising them in March. It felt the central bank's monetary stance remains accommodative, supporting further strengthening in labour market conditions and a sustained return to 2% inflation. Non-Farm payrolls produced some positive figures for Donald Trump's first 100 days in charge. They increased by 211,000 a jump from the downwardly revised 79,000 in March. The unemployment rate also fell to 4.4% whilst earnings per hour increased by 0.3% in April an improvement on the 0.1% seen in the previous month. Meanwhile, the second estimates for US GDP showed an annual rate of 1.2%, a jump from original estimates of 0.7%. However, it still remains the weakest performance since Q1 2016. Analysts have suggested that there are issues related to the seasonal adjustment factors affecting Q1 growth, as this quarter has been consistently weak for a number of years.

### Housing

Halifax house prices produced disappointing results for April. House price growth remained at a near four year low as prices rose at an annual rate of just 3.8% in the three months to April. On a monthly basis prices actually fell by 0.1% between March and April. The Bank of England released their mortgage approval figures for March this month and they were at a 6 month low. The number of mortgage approvals fell to 66,837 from 67,936. In addition, Nationwide house prices fell for the third consecutive month by 0.2% in May, dragging down the annualised figure to 2.1% from 2.6%. A recent squeeze on household income as a result of the weak Sterling may have been a contributing factor to the slowdown in the housing market.

### Forecast

Neither Capita Asset Services (CAS) nor Capital Economics (CE) altered their forecasts this month. It is forecasted by CAS that a rate hike to 0.50% will occur in Q2 2019 followed by a further hike to 0.75% in Q4 2019. CE expects a hike in the bank rate to occur in Q2 2018 to 0.50% with further hikes forecasted in Q4 2018 to 0.75% and in Q2 2019 to 1.00%.

Bank Rate	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.50%

# City Of London Corporation

## Current Investment List

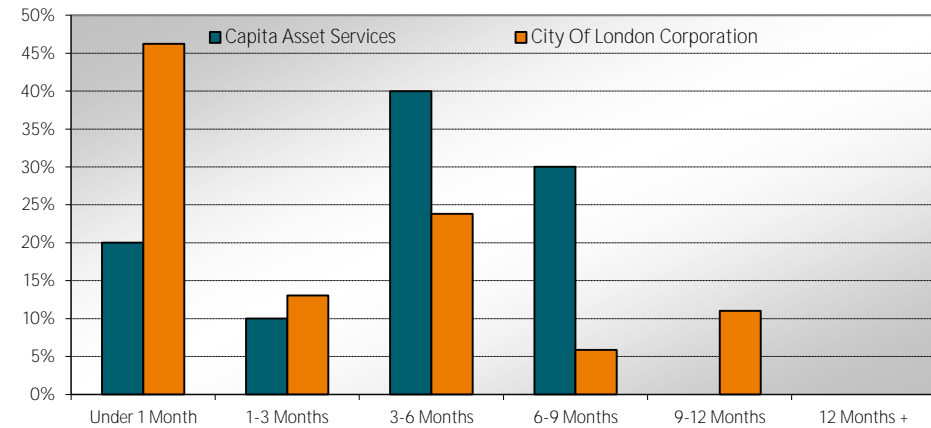
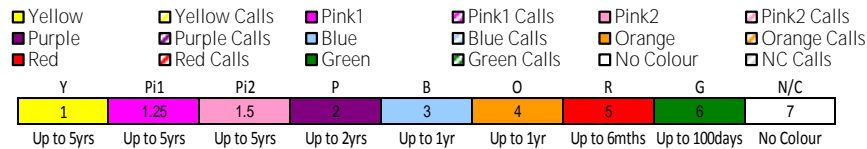
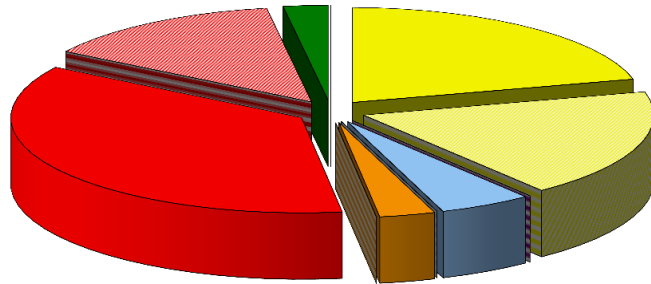
	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
	MMF Aberdeen	1,000,000	0.23%		MMF	AAA	0.000%
	MMF CCLA	10,000,000	0.22%		MMF	AAA	0.000%
	MMF Federated Investors (UK)	5,000,000	0.46%		MMF	AAA	0.000%
	MMF Federated Investors (UK)	1,000,000	0.23%		MMF	AAA	0.000%
	MMF Invesco	34,300,000	0.25%		MMF	AAA	0.000%
	Lloyds Bank Plc	9,900,000	0.25%		Call	A	0.000%
	MMF Payden & Rygel	55,000,000	1.30%		MMF	AAA	0.000%
	Santander UK Plc	100,000,000	0.65%		Call	A	0.000%
	MMF Standard Life	5,000,000	0.80%		MMF	AAA	0.000%
	MMF Standard Life	37,900,000	0.25%		MMF	AAA	0.000%
	Australia and New Zealand Banking Group Ltd	5,000,000	0.30%	06/03/2017	06/06/2017	AA-	0.000%
	National Westminster Bank Plc	22,500,000	0.38%	06/01/2017	06/06/2017	BBB+	0.003%
	National Westminster Bank Plc	11,900,000	0.32%	07/02/2017	07/06/2017	BBB+	0.003%
	Glasgow City Council	10,000,000	0.40%	13/03/2017	13/06/2017	AA	0.001%
	Cambridgeshire County Council	10,000,000	0.45%	22/03/2017	22/06/2017	AA	0.001%
	Greater London Authority	20,000,000	0.30%	25/04/2017	26/06/2017	AA	0.002%
	Tameside Metropolitan Borough Council	10,000,000	0.30%	27/04/2017	27/06/2017	AA	0.002%
	Surrey County Council	25,000,000	0.46%	31/03/2017	30/06/2017	AA	0.002%
	Australia and New Zealand Banking Group Ltd	5,000,000	0.30%	03/04/2017	03/07/2017	AA-	0.002%
	Leeds Building Society	7,000,000	0.36%	03/01/2017	04/07/2017	A-	0.005%
	Leeds Building Society	5,000,000	0.36%	03/01/2017	05/07/2017	A-	0.005%
	Liverpool City Council	10,000,000	0.38%	05/04/2017	05/07/2017	AA	0.002%
	Lloyds Bank Plc	2,500,000	0.45%	06/04/2017	06/07/2017	A	0.006%
	Lloyds Bank Plc	11,400,000	0.45%	07/04/2017	07/07/2017	A	0.006%
	Lloyds Bank Plc	4,000,000	0.45%	10/04/2017	10/07/2017	A	0.006%
	Lloyds Bank Plc	18,400,000	0.45%	12/04/2017	12/07/2017	A	0.006%
	Northamptonshire County Council	10,000,000	0.30%	26/05/2017	26/07/2017	AA	0.004%
	Plymouth City Council	10,000,000	0.35%	10/05/2017	10/08/2017	AA	0.005%
	Barnsley Metropolitan Borough Council	5,000,000	0.45%	23/02/2017	23/08/2017	AA	0.005%
	Plymouth City Council	10,000,000	0.35%	24/05/2017	24/08/2017	AA	0.005%
	National Westminster Bank Plc	7,200,000	0.65%	30/08/2016	30/08/2017	BBB+	0.042%
	Dundee City Council	5,000,000	0.37%	28/04/2017	06/09/2017	AA	0.006%
	Birmingham City Council	25,000,000	0.50%	24/04/2017	25/09/2017	AA	0.007%
	North Lanarkshire Council	5,000,000	0.48%	24/02/2017	27/09/2017	AA	0.008%
	Rotherham Metropolitan Borough Council	10,000,000	0.34%	28/04/2017	28/09/2017	AA	0.008%
	Barclays Bank Plc	25,000,000	0.62%	03/04/2017	29/09/2017	A-	0.019%

# City Of London Corporation

## Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Lloyds Bank Plc	30,000,000	1.00%	03/10/2016	03/10/2017	A	0.019%
Barclays Bank Plc	36,000,000	0.74%	04/01/2017	04/10/2017	A-	0.019%
Lloyds Bank Plc	16,400,000	0.55%	04/04/2017	04/10/2017	A	0.019%
Suffolk County Council	5,000,000	0.48%	06/03/2017	06/10/2017	AA	0.008%
Lloyds Bank Plc	10,000,000	0.55%	12/04/2017	12/10/2017	A	0.021%
Australia and New Zealand Banking Group Ltd	15,000,000	0.40%	03/05/2017	03/11/2017	AA-	0.010%
Lloyds Bank Plc	10,000,000	0.55%	03/05/2017	03/11/2017	A	0.024%
Coventry Building Society	20,000,000	0.45%	19/04/2017	12/12/2017	A	0.030%
Lloyds Bank Plc	18,000,000	0.65%	03/05/2017	05/02/2018	A	0.039%
Lloyds Bank Plc	9,400,000	0.65%	17/05/2017	19/02/2018	A	0.041%
Barclays Bank Plc	25,000,000	0.84%	10/04/2017	29/03/2018	A-	0.047%
Skipton Building Society	20,000,000	0.77%	24/04/2017	23/04/2018	BBB	0.152%
Barclays Bank Plc	14,000,000	0.85%	26/04/2017	25/04/2018	A-	0.051%
Goldman Sachs International Bank	30,000,000	0.87%	19/05/2017	18/05/2018	A	0.054%
<b>Total Investments</b>	<b>£807,800,000</b>	<b>0.59%</b>				<b>0.015%</b>

# Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number =

3.31

WARoR = Weighted Average Rate of Return

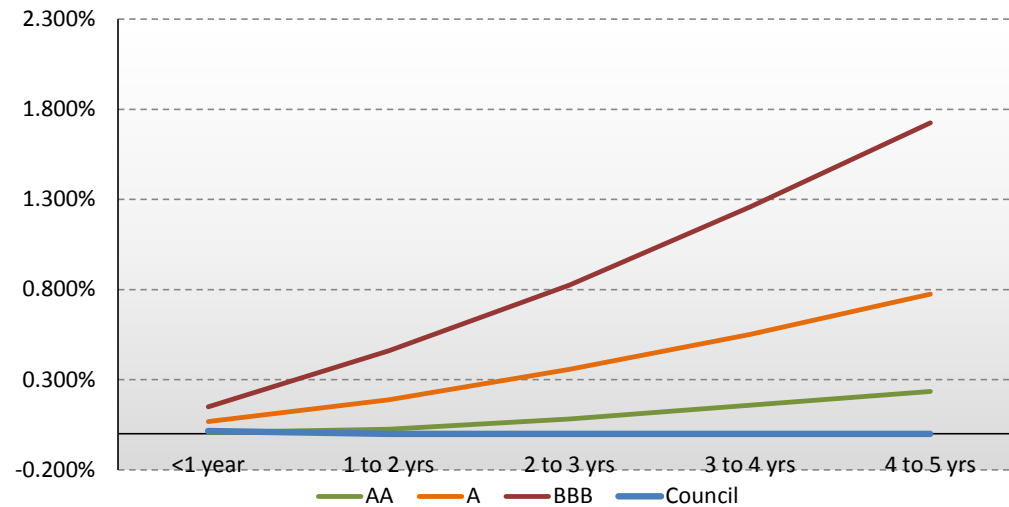
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	39.51%	£319,200,000	46.74%	£149,200,000	18.47%	0.52%	33	58	63	108
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	5.15%	£41,600,000	0.00%	£0	0.00%	0.41%	21	179	21	179
Orange	3.09%	£25,000,000	0.00%	£0	0.00%	0.36%	101	147	101	147
Red	49.76%	£402,000,000	27.34%	£109,900,000	13.60%	0.66%	129	186	177	255
Green	2.48%	£20,000,000	0.00%	£0	0.00%	0.77%	327	364	327	364
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	£807,800,000	32.07%	£259,100,000	32.07%	0.59%	90	138	132	203



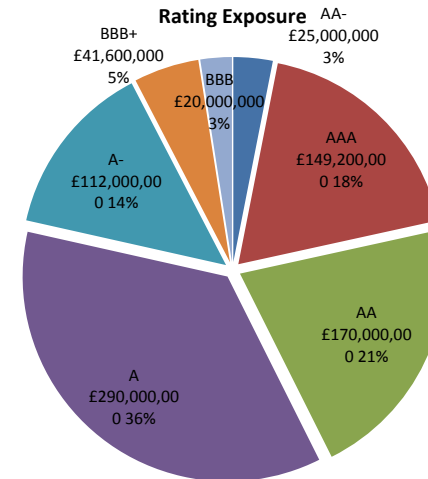
## Investment Risk and Rating Exposure

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%	0.024%	0.081%	0.158%	0.234%
A	0.067%	0.189%	0.356%	0.551%	0.775%
BBB	0.150%	0.460%	0.824%	1.257%	1.726%
Council	0.015%	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.

## City Of London Corporation

### Monthly Credit Rating Changes

FITCH

Date	Update Number	Institution	Country	Rating Action
02/05/2017	1521	Sumitomo Mitsui Banking Corporation Europe Ltd	U.K	Long Term Rating affirmed at 'A', Outlook changed to Stable from Negative. Short Term Rating affirmed at 'F1'
24/05/2017	1524	Credit Agricole Corporate and Investment Bank	France	Long Term Rating upgraded to 'A+' from 'A', Outlook changed to Stable from Positive. Short Term Rating affirmed at 'F1'
24/05/2017	1524	Credit Agricole SA	France	Long Term Rating upgraded to 'A+' from 'A', Outlook changed to Stable from Positive. Short Term Rating affirmed at 'F1'

## City Of London Corporation

### Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
02/05/2017	1520	Standard Chartered Bank	U.K	Long Term Rating downgraded to 'A1' from 'Aa3', Outlook changed to Stable from Negative. Short Term Rating affirmed at 'P-1'
11/05/2017	1522	Bank of Montreal	Canada	Long Term Rating downgraded to 'A1' from 'Aa3', Negative Outlook. Short Term Rating affirmed at 'P-1'
11/05/2017	1522	Bank of Nova Scotia	Canada	Long Term Rating downgraded to 'A1' from 'Aa3', Negative Outlook. Short Term Rating affirmed at 'P-1'
11/05/2017	1522	Canadian Imperial Bank of Commerce	Canada	Long Term Rating downgraded to 'A1' from 'Aa3', Negative Outlook. Short Term Rating affirmed at 'P-1'
11/05/2017	1522	National Bank of Canada	Canada	Long Term Rating downgraded to 'A1' from 'Aa3', Negative Outlook. Short Term Rating affirmed at 'P-1'
11/05/2017	1522	Royal Bank of Canada	Canada	Long Term Rating downgraded to 'A1' from 'Aa3', Negative Outlook. Short Term Rating affirmed at 'P-1'
11/05/2017	1522	Toronto Dominion Bank	Canada	Long Term Rating downgraded to 'Aa2' from 'Aa1', Negative Outlook. Short Term Rating affirmed at 'P-1'
25/05/2017	1525	Abu Dhabi Sovereign Rating	Abu Dhabi	Sovereign Rating affirmed at 'Aa2' , Outlook changed to Stable from Negative
30/05/2017	1526	Qatar Sovereign Rating	Qatar	Sovereign Rating downgraded to 'Aa3' from 'Aa2' , Outlook changed to Stable from Negative
31/05/2017	1527	National Bank of Abu Dhabi	Abu Dhabi	Long Term Rating affirmed at 'Aa3', Outlook changed to Stable from Negative. Short Term Rating affirmed at 'P-1'

## City Of London Corporation

### Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
22/05/2017	1523	Nordea Bank AB	Sweden	Long Term Rating affirmed at 'AA-', Outlook changed to Stable from Negative. Short Term Rating affirmed at 'A-1+'

**MONTHLY INVESTMENT REVIEW AS AT 31 MAY 2017**

	<b>Couterparty Limit</b>	<b>Total Invested as at 31-May-17</b>
	<b>£M</b>	<b>£M</b>
<b><u>TOTAL INVESTED</u></b>		<b><u>807.8</u></b>
<b>UK BANKS</b>		
Barclays	100.0	100.0
Goldman Sachs International	100.0	30.0
HSBC	100.0	-
Lloyds	150.0	140.0
RBS	100.0	-
	<u>550.0</u>	<u>270.0</u>
<b>BUILDING SOCIETIES</b>		
Coventry	20.0	20.0
Leeds	20.0	12.0
Nationwide	120.0	41.6
Skipton	20.0	20.0
Yorkshire	20.0	-
	<u>200.0</u>	<u>93.6</u>
<b>FOREIGN BANKS</b>		
Australia & New Zealand	25.0	25.0
National Australia Bank	25.0	-
Svenska Handelsbanken	25.0	-
	<u>75.0</u>	<u>25.0</u>
<b>LIQUIDITY FUNDS</b>		
Aberdeen Liquidity Fund	100.0	1.0
CCLA - Public Sector Deposit Fund	100.0	10.0
Deutsche Global Liquidity Fund	100.0	-
Federated Prime Liquidity Fund	100.0	6.0
Invesco Sterling Liquidity Fund	100.0	34.3
Payden Sterling Reserve Fund	100.0	55.0
Standard Life (Ignis) Liquidity Fund	100.0	42.9
	<u>600.0</u>	<u>149.2</u>
<b>NOTICE ACCOUNTS</b>		
Santander 95 Days Account	100.0	100.0
	<u>100.0</u>	<u>100.0</u>
<b>PUBLIC SECTOR</b>		
Barnsley Metropolitan Borough Council	25.0	5.0
Birmingham City Council	25.0	25.0
Cambridgeshire County Council	25.0	10.0
Dundee City Council	25.0	5.0
Glasgow City Council	25.0	10.0
Greater London Authority	25.0	20.0
Liverpool City Council	25.0	10.0
North Lanarkshire Council	25.0	5.0
Northamptonshire County Council	25.0	10.0
Plymouth City Council	25.0	20.0
Rotherham Metropolitan Borough	25.0	10.0
Suffolk County Council	25.0	5.0
Surrey County Council	25.0	25.0
Tameside Metropolitan Borough Council	25.0	10.0
	<u>350.0</u>	<u>170.0</u>

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<b>Committee</b>	<b>Dated:</b>
Financial Investment Board	29 June 2017
<b>Subject:</b> Risk Register for Bridge House Estates (charity number: 1035628)	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report author:</b> Steven Reynolds, Chamberlain's Department	

## Summary

This report provides this Board's section of the key risks register for Bridge House Estates (BHE) for review. The Charity Commission's Statement of Recommended Practice (SORP) requires that the register is reviewed annually to ensure that existing risks are reconsidered, any new risks are identified and that appropriate measures are in place to mitigate those risks. BHE is managed by six Committees or Boards, each of which is required to review and monitor risks for the services they oversee e.g. the Planning and Transportation Committee manages risks relating to the five bridges maintained by the trust. Accordingly, a separate risk report has been prepared for each managing Committee or Board.

Two of the risks on the BHE risk register relate to the services overseen by the Financial Investment Board. The first risk relates to a potential decline in income from non-property investments and the second to a potential reduction in income from cash balances – both risks are detailed at Appendix 2. The first risk is assessed as amber with a score of twelve (on a risk scale from one to the highest risk score of thirty two). The second risk is assessed as green with a score of three. Both assessments are unchanged from last year.

## Recommendations

Members are asked to:

- review the two risks currently on the register for this Board, relating to a potential reduction in income from non-property investments and cash balances, and confirm that appropriate control measures are in place; and
- confirm that there are no other risks relating to the services overseen by the Financial Investment Board which should be added to the BHE risk register.

## **Main Report**

### **Background**

1. 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. This Board's section of the key risks register for Bridge House Estates (BHE) is set out for review.
2. BHE is managed by six Committees or Boards each of which is required to review and monitor risks for the services they oversee e.g. the Planning and Transportation Committee manages risks relating to the five bridges maintained by the trust. Accordingly, a separate risk report has been prepared for each managing Committee or Board.
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 approved by the Audit and Risk Management Committee. The City of London Corporation risk matrix, which explains how risks are assessed and scored, is attached at Appendix 1 of this report. Risk scores range from one, being lowest risk, to the highest risk score of thirty two. These scores are summarised into 3 broad groups, each with increasing risk, and categorised green, amber or red.
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 Financial Investment Board's element of the BHE risk register is shown at Appendix 2 and contains two risks, the first relating to a potential decline in income from non-property investments and the second to a potential reduction in income from cash balances. Controls are in place to mitigate these risks, including an investment strategy devised to reduce risk through use of a range of fund managers implementing different investment mandates. With regard to surplus cash, this is invested with a carefully selected and regularly reviewed range of counterparties and across various time periods to maximise returns. Returns from both managed investments and cash are closely monitored throughout the year. The first risk is assessed as amber with a score of twelve (on a risk scale from one to the highest risk score of thirty two). The second risk is assessed as green with a score of three. Both assessments are unchanged from last year. The current mitigating actions are considered appropriate at this time.

### **Conclusion**

7. The risks faced by the charity have been reviewed and two of those risks have been identified as relating to the services overseen by the Financial Investment Board. The first risk relates to a potential decline in income from non-property



investments and the second to a potential reduction in income from cash balances. The Board is requested to confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the BHE register in relation to services overseen by the Board.

## **Appendices**

- Appendix 1 - City of London Corporation Risk Matrix
- Appendix 2 - Charity Risk Register

## **Contacts:**

### **Kate Limna**

Corporate Treasurer  
Chamberlains Department

T: 020 7332 3952

E. [kate.limna@cityoflondon.gov.uk](mailto:kate.limna@cityoflondon.gov.uk)

### **Steven Reynolds**

Group Accountant  
Chamberlains Department

T: 020 7332 1382

E: [steven.reynolds@cityoflondon.gov.uk](mailto:steven.reynolds@cityoflondon.gov.uk)

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## City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom right (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

### (A) Likelihood criteria

	Rare (1)	Unlikely (2)	Possible (3)	Likely (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)

### (B) Impact criteria

Impact title	Definitions
Minor (1)	<b>Service delivery/performance:</b> Minor impact on service, typically up to one day. <b>Financial:</b> financial loss up to 5% of budget. <b>Reputation:</b> Isolated service user/stakeholder complaints contained within business unit/division. <b>Legal/statutory:</b> Litigation claim or find less than £5000. <b>Safety/health:</b> Minor incident including injury to one or more individuals. <b>Objectives:</b> Failure to achieve team plan objectives.
Serious (2)	<b>Service delivery/performance:</b> Service disruption 2 to 5 days. <b>Financial:</b> Financial loss up to 10% of budget. <b>Reputation:</b> Adverse local media coverage/multiple service user/stakeholder complaints. <b>Legal/statutory:</b> Litigation claimable fine between £5000 and £50,000. <b>Safety/health:</b> Significant injury or illness causing short-term disability to one or more persons. <b>Objectives:</b> Failure to achieve one or more service plan objectives.
Major (4)	<b>Service delivery/performance:</b> Service disruption > 1 - 4 weeks. <b>Financial:</b> Financial loss up to 20% of budget. <b>Reputation:</b> Adverse national media coverage 1 to 3 days. <b>Legal/statutory:</b> Litigation claimable fine between £50,000 and £500,000. <b>Safety/health:</b> Major injury or illness/disease causing long-term disability to one or more people <b>Objectives:</b> Failure to achieve a strategic plan objective.
Extreme (8)	<b>Service delivery/performance:</b> Service disruption > 4 weeks. <b>Financial:</b> Financial loss up to 35% of budget. <b>Reputation:</b> National publicity more than three days. Possible resignation leading member or chief officer. <b>Legal/statutory:</b> Multiple civil or criminal suits. Litigation claim or find in excess of £500,000. <b>Safety/health:</b> Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. <b>Objectives:</b> Failure to achieve a major corporate objective.

### (C) Risk scoring grid

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

### (D) Risk score definitions

RED	Urgent action required to reduce rating
AMBER	Action required to maintain or reduce rating
GREEN	Action required to maintain rating

This is an extract from the City of London Corporate Risk Management Strategy, published in May 2014.

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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BHE Risks to be considered by the FINANCIAL INVESTMENT BOARD

Risk No.	Risk (Short description)	Risk Owner	Committee	Existing Controls	Current Risk				Planned Actions	Target Risk		
					Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
Income												
1	The income from non-property investments may significantly decline.	Chamberlain	Financial Investment Board	Whilst the volatility of the financial markets cannot necessarily be mitigated by the Financial Investment Board, the investment strategy has been 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	Amber 12	↔	Continue with current course of action	Possible	Major	Amber 12
2	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	Green 3	↔	Continue with current course of action	Possible	Minor	Green 3

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