



Financial Investment Board

Date: THURSDAY, 24 MAY 2018
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Andrew McMurtrie (Chairman)
Nicholas Bensted-Smith (Deputy Chairman)
Henry Colthurst
Deputy Tom Hoffman
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

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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. **RESOLUTION OF THE INVESTMENT COMMITTEE**

The Town Clerk to provide a verbal update in relation to the resolution of the Investment Committee dated 9 May 2017 appointing the Board and its Chairman and Deputy Chairman.

For Information

4. **MINUTES OF THE PREVIOUS MEETING**

To agree the public minutes and non-public summary of the meeting held on 22 March 2018.

For Decision
(Pages 1 - 4)

5. **OUTSTANDING ACTIONS**

Report of the Town Clerk.

For Information
(Pages 5 - 6)

6. **MONTHLY INVESTMENT ANALYSIS REVIEW**

Report of the Chamberlain

For Information
(Pages 7 - 22)

7. **FINANCIAL INVESTMENT BOARD - RISK REGISTER**

Report of the Chamberlain

For Decision
(Pages 23 - 34)

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

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

10. **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

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 22 March 2018.

For Decision
(Pages 35 - 42)
12. **PRESENTATION BY PRINCIPLES FOR RESPONSIBLE INVESTMENT**

For Information
13. **REVIEW OF FINANCIAL INVESTMENT BOARD ACTIVITIES 2017/18**
Report of the Chamberlain

For Information
(Pages 43 - 54)
14. **CITY'S CASH AND BRIDGE HOUSE ESTATES - INVESTMENT STRATEGY REVIEW FOLLOW-UP**
Report of the Chamberlain

For Decision
(Pages 55 - 66)
15. **LONDON CIV - APPOINTMENT OF A MULTI ASSET CREDIT MANAGER**
Report of the Chamberlain

For Information
(Pages 67 - 82)
16. **INVESTMENT MONITORING REPORTS**
 - a) **Investment Monitoring to 31 March 2018**
Report of the Chamberlain

For Information
(Pages 83 - 112)
 - b) **Quarterly Monitoring Report**
Report of Mercer

For Information
(Pages 113 - 132)
17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
18. **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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FINANCIAL INVESTMENT BOARD

Thursday, 22 March 2018

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

Present

Members:

Andrew McMurtrie (Chairman)	Deputy Clare James
Nicholas Bensted-Smith (Deputy Chairman)	Deputy Henry Pollard
Alexander Barr	James de Sausmarez
Henry Colthurst	Ian Seaton
Deputy Jamie Ingham Clark	Deputy Philip Woodhouse

Officers:

Joseph Anstee	-	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 for absence were received from Alderman Robert Howard, Alderman Peter Hewitt, Andrien Meyers and Tim Levene.

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

There were no declarations.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the public minutes and non-public summary of the meeting held on 1 February 2018 be agreed as a correct record.

4. OUTSTANDING ACTIONS

The Board received a list of outstanding actions. The Board noted that the Treasury Management Strategy had been approved by the Court of Common Council since the last meeting, and had been adopted from 8 March 2018. This had enabled the short-dated bond fund investments which were now in progress.

The Board noted that Member Training would be delivered through the Member Development Group if possible. The training would be scheduled in the new municipal year.

RESOLVED – That the report be noted.

5. MONTHLY INVESTMENT ANALYSIS REVIEW

The Board received a report of the Chamberlain concerning the monthly investment analysis review for February 2018. The Board noted that cash balances had gone down due to an expected curtailment in the collection of business rates at the end of the financial year, and that the short-dated bond fund investments had now been made and would appear in the next analysis presented to the Board.

The Chairman advised the Board that the outstanding £20 million loan to Northamptonshire County Council was underwritten by central government. A Member raised a query about loans to local authorities that the Board agreed to discuss as a non-public question relating to the work of the Board.

RESOLVED – That the report be noted.

6. FINANCIAL INVESTMENT BOARD - RISK REGISTER

The Board considered a report of the Chamberlain proposing a Risk Register for the Financial Investment Board, highlighting key risks for review. The Board noted that this was the first time the Financial Investment Board had considered a risk register. Board Members suggested that 'heat maps' could be included with the risk register in future to illustrate any changes, and that the risk register should be reported to the Board every six months for review.

The Board agreed to exclude the public from the meeting and discuss a point raised by a Board Member on the grounds that the discussion would involve the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Local Government Act.

The Board noted the recommendations to the report, and that the risk register would be brought back to the next meeting for confirmation following feedback from Members.

A Member suggested that there was a risk of action being taken with investments without the authority of the Board, and that with regards to external risks, the Board consider its mechanisms for acting quickly in response to changing circumstances, as fund managers were able to do. The Chamberlain advised that for any changes to fund managers the Comptroller & City Solicitor and any incoming fund manager will require signed authority such as minutes of the Board meeting confirming this. There are also the City's urgency procedures but as the Board met regularly throughout the year, it was hoped that this would not be required unless in exceptional circumstances.

A Member suggested that the risk register be kept high-level, and the Board needed to be careful not to confuse risks with controls. The Chamberlain confirmed that the scale of each risk was between 1 and 16 and the register used was the corporate template. The Board needed to focus on what was important at a strategic level to reach its target risks.

RESOLVED – That the Financial Investment Board:

- a) Review the risks and actions proposed for the Financial Investment Board's Risk Register, and ask officers to amend the risk register based on the feedback provided by Members, before bringing it back to the next meeting for approval.

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
10-15	3
16-17	-

10. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the non-public minutes of the meeting held on 1 February 2018 be agreed as a correct record.

11. NON-PUBLIC OUTSTANDING ACTIONS

The Board received a list of non-public outstanding actions.

RESOLVED – That the report be noted.

12. LONDON CIV - VERBAL UPDATE

The Board received a verbal update on the London CIV.

13. CITY'S CASH AND BRIDGE HOUSE ESTATES - INVESTMENT STRATEGY REVIEW

The Board considered a report of the Chamberlain.

14. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) UPDATE

The Board considered a report of the Chamberlain.

15. INVESTMENT MONITORING REPORTS

a) **Investment Monitoring to 31 December 2017**

The Board received a report of the Chamberlain.

b) **Quarterly Monitoring Report**

The Board received a report of Mercer.

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

The Board discussed a non-public question from a Member.

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

There were two items of other business.

The meeting closed at 3.20 pm

Chairman

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joseph.anstee@cityoflondon.gov.uk**

Financial Investment Board – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	1 February 2018	Board Member Training	Corporate Treasurer / Town Clerk	In the new municipal year	Training session by Link Asset Services to be arranged for Board Members
2.	22 March 2018	Risk Register	Corporate Treasurer / Chamberlain	24 May 2018	Officers to amend the risk register based on the feedback provided by Members before bringing it back to the Board for approval

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City Of London Corporation

Monthly Investment Analysis Review

March 2018

Monthly Economic Summary

General Economy

The first key economic release of the month was the February Manufacturing Purchasing Managers' Index (PMI) survey. This dropped to an eight-month low of 55.2 from 55.3 in January, despite a marked upturn in new orders. The headline figure did, however, beat the average forecast of 55.0. Furthermore, underlying data within the survey showed that factory order growth is the strongest it has been since November and that 56% of manufacturers expect to raise production over the coming year. Meanwhile, construction PMI picked up slightly in February – but uncertainty continues to weigh on order books. The figure rose to 51.4 from 50.2 in January, ahead of even the most optimistic of forecasts. Services PMI also perked up, jumping to a four-month high of 54.5 from 53.0; with new orders rising at their fastest rate since May last year. The combination of the three surveys reinforced market expectations that the Bank of England (BoE) will raise interest rates again in their May meeting.

Elsewhere, trade balance data led to the suggestion that Britain's economy remains on a slow trajectory ahead of Brexit. Britain went from being the fastest-growing G7 economy in 2016 to the weakest last year as the Brexit vote weighed on household spending and corporate investment. Manufacturing output inched up 0.1% in January after a 0.3% rise in December – weaker than a poll forecasting 0.2%. This latest reading left the three month rate at 0.9%, the weakest pace since mid-2017.

Painting a slightly more cheerful picture, British inflation was weaker than expected in February as the impact of the Brexit vote finally faded from the figures, easing some of the squeeze on consumers who have seen their rising pay flag behind rising prices. The annual Consumer Price Index (CPI) rate rose by 2.7% in February, down from 3.0% previously and the weakest increase since July of last year. This provided further evidence that Britain's inflation peaked after hitting its highest level in five years of 3.1% in November 2017. Many of the early 2017 price increases due to the previous depreciation of the pound have started to work through the system, with petrol prices falling on the month and food prices rising more slowly than in February 2017 – all contributing to a lower inflation figure.

Unemployment edged back down to its four-decade low of 4.3% in February having briefly risen to 4.4% in January. The number of people in work grew by 168,000 in the three months to January – double the rise predicted in a poll of economists. Paired with that, British workers overall pay rose at the fastest pace in nearly two-and-a-half years over the three months to January – also increasing chances that the BoE will raise the cost of borrowing in May. Total earnings, including bonuses, rose annually by 2.8% in the three months to January compared with an upwardly revised 2.7% rise in the three months to December. Excluding bonuses, wages rose by 2.6%, a slight pick-up from the 2.5% seen in the three months to December. An expected steady increase in pay growth was a major reason why the BoE said in February that it expected interest rates to rise faster than they thought a few months previously.

Switching to public finance data, Public Sector Net Borrowing (PSNB) excluding public sector banks increased by £2.5bn to £1.3bn in February 2018, compared to February 2017. Public Sector Net Debt (PSND) excluding public sector banks was £1,762.6bn at the end of February 2018, equivalent to 85.1% of gross domestic product (GDP) – an increase of £68.1bn (+0.9%) on February 2017. In summary, PSNB excluding public sector banks is currently tracking below that of the last financial year with the Office for Budget Responsibility's (OBR) revising their official forecast for the current financial year down to £45.2bn from £49.9bn at the spring statement.

The Monetary Policy Committee (MPC) voted to keep interest rates unchanged, however two of its policy makers (Ian McCafferty and Michael Saunders) voted for an immediate rate rise. Minutes from the meeting said that “ongoing tightening” was likely to be needed to return inflation back to target; adding strength to Mark Carney’s comments last month that “rates might need to go up faster than expected”.

Rounding off the month, the final estimate for Q4 GDP was left unrevised at 0.4% on a quarterly basis and 1.4% on an annual basis, matching consensus expectations. Additionally, growth in business investment was revised up to 0.3% from 0%; as a whole, net trade made its first positive contribution to growth since 2012.

In the Eurozone, the final reading of Q4 GDP was left unrevised at 0.6%, slightly lower than Q3’s 0.7%. The expansion was driven mainly by net exports. Annual growth was also confirmed at 2.7% for Q4, with growth for the Eurozone economy for 2017 as a whole increasing by 2.5%. Following their March meeting, the European Central Bank’s (ECB) only change was the removal of their previous pledge to “increase the Asset Purchase Programme (AAP) in terms of size and/or duration” if needed. Eurozone inflation fell to 1.1% in February, down from the 1.3% seen in January with the highest contribution to inflation coming from services, followed by food. Lastly, Eurozone unemployment held steady in January at 8.6%, the lowest rate recorded in the Eurozone since December 2008.

The US saw a significant 313,000 increase in non-farm payrolls in February (the biggest in 18 months) together with a 54,000 positive revision to gains in the preceding two months. Unemployment, however, remained unchanged at 4.1% as an increase in people actually looking for work (the “participation rate”) offset the actual increase in jobs. Boosted by a surge in clothing prices, inflation posted a 0.2% monthly gain for February and a 2.2% annual rise, from 0.5% and 2.1% respectively the month prior. These strong figures paved the way for the Fed’s unanimous decision to raise interest rates by another 25 basis points to 1.50%-1.75%, with comments reiterating the need for “further gradual” hikes. The final estimate for Q4 GDP was revised upwards to a 2.9% annualised rate, from the previously reported 2.5%. The upward revision reflected a lower level of inventory reduction through the quarter.

Sterling opened the month at \$1.377 against the US Dollar and closed the month at \$1.402. Against the Euro, Sterling opened at €1.122 and closed at €1.138.

Housing

Nationwide revealed house prices unexpectedly fell during March, down 0.2% on the month. Annually, house prices rose 2.1% - weaker than forecasts of 2.6% and slowing from February's 2.2% increase. Elsewhere, Halifax reported that at 1.8%, house prices rose at their slowest pace in nearly five years in the three months to February. This was a drop from the 2.2% recorded the month prior, while in monthly terms, prices rose by 0.4%.

Forecast

Neither Link Asset Services (LAS) nor Capital Economics (CE) changed their bank rate forecasts during March. LAS suggest that the next interest rate rise will be to 0.75% in Q2 2018, with further rises of 25 basis points in Q4 2018 and again in Q4 2019. Capital Economics' forecasts continue to suggest further rises of 25 basis points in Q2 2018, Q3 2018, Q4 2018, Q2 2019 and Q4 2019.

Bank Rate	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Link Asset Services	0.75%	0.75%	1.00%	1.00%	1.00%
Capital Economics	0.75%	1.00%	1.25%	1.25%	1.50%

City Of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF CCLA	10,000,000	0.46%		MMF	AAA	0.000%
USDBF Federated Sterling Cash Plus Fund	5,000,000	0.41%		USDBF	AAA	0.000%
MMF Federated Investors (UK)	15,000,000	0.46%		MMF	AAA	0.000%
mmf invesco	32,900,000	0.48%		MMF	AAA	0.000%
Lloyds Bank Plc	33,600,000	0.40%		Call	A	0.000%
USDBF Payden Sterling Reserve Fund	55,000,000	0.33%		USDBF	AAA	0.000%
USDBF Standard Life Short Duration Cash Fund	5,000,000	0.55%		USDBF	AAA	0.000%
MMF Standard Life	18,500,000	0.46%		MMF	AAA	0.000%
Leeds Building Society	8,000,000	0.48%	29/06/2017	03/04/2018	A-	0.000%
Lloyds Bank Plc	15,000,000	0.60%	03/11/2017	03/04/2018	A	0.000%
Plymouth City Council	12,000,000	0.32%	25/09/2017	03/04/2018	AA	0.000%
Leeds City Council	25,000,000	0.50%	16/01/2018	13/04/2018	AA	0.001%
Skipton Building Society	20,000,000	0.77%	24/04/2017	23/04/2018	BBB+	0.011%
Telford & Wrekin Council	6,000,000	0.35%	27/09/2017	24/04/2018	AA	0.002%
Barclays Bank Plc	14,000,000	0.85%	26/04/2017	25/04/2018	A	0.004%
Lloyds Bank Plc	16,100,000	0.65%	02/11/2017	02/05/2018	A	0.005%
Lloyds Bank Plc	22,600,000	0.57%		Call32	A	0.005%
Leeds Building Society	2,000,000	0.37%	16/08/2017	16/05/2018	A-	0.007%
Nationwide Building Society	13,800,000	0.37%	16/08/2017	16/05/2018	A	0.007%
Goldman Sachs International Bank	30,000,000	0.87%	19/05/2017	18/05/2018	A	0.007%
Leeds Building Society	5,000,000	0.37%	05/09/2017	05/06/2018	A-	0.010%
Leeds Building Society	5,000,000	0.37%	07/09/2017	07/06/2018	A-	0.010%
Goldman Sachs International Bank	20,000,000	1.02%	03/07/2017	02/07/2018	A	0.014%
Santander UK Plc	100,000,000	0.60%		Call95	A	0.015%
Lloyds Bank Plc	15,000,000	0.75%	03/11/2017	03/08/2018	A	0.019%
Barclays Bank Plc	25,000,000	0.76%	29/09/2017	28/09/2018	A	0.028%
Goldman Sachs International Bank	20,000,000	0.95%	26/09/2017	01/10/2018	A	0.028%
Australia and New Zealand Banking Group Ltd	15,000,000	0.60%	03/01/2018	03/10/2018	AA-	0.012%
Barclays Bank Plc	36,000,000	0.77%	04/10/2017	03/10/2018	A	0.029%
Coventry Building Society	20,000,000	0.70%	02/01/2018	02/01/2019	A	0.043%
Goldman Sachs International Bank	20,000,000	0.95%	08/01/2018	08/01/2019	A	0.044%
Northamptonshire County Council	20,000,000	0.73%	31/01/2018	30/01/2019	AA	0.019%
London Borough of Southwark	20,000,000	1.10%	19/03/2018	28/03/2019	AA	0.023%
Goldman Sachs International Bank	10,000,000	1.20%	29/03/2018	29/03/2019	A	0.056%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		

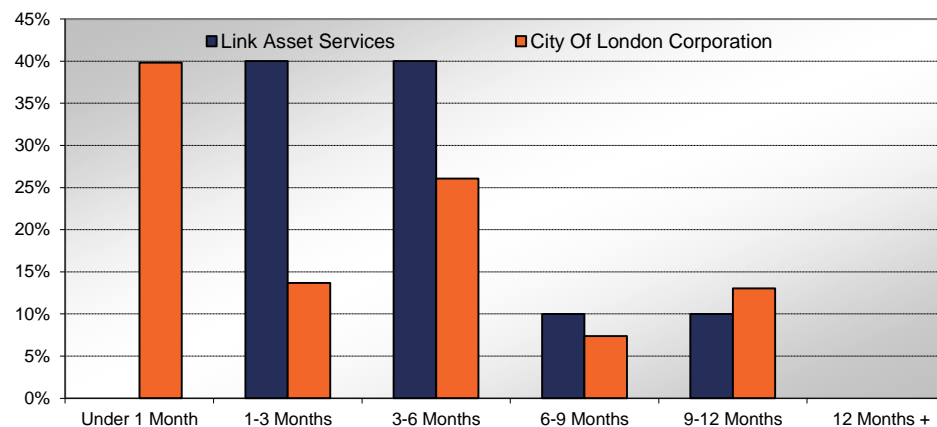
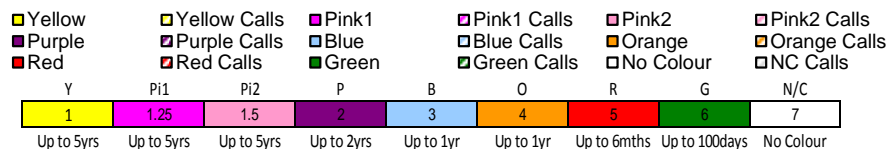
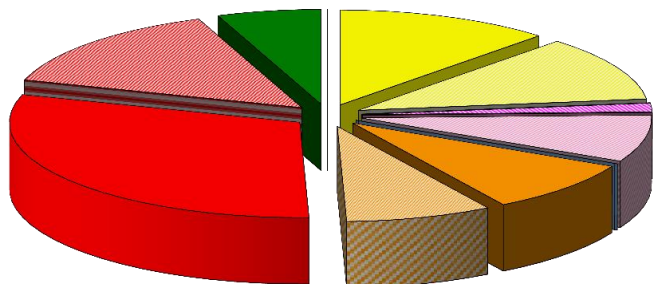
City Of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
L&G UTM CLIENT ACC (UTM)	50,000,000	2.04%				
ROYAL LONDON UT MGRS LTD DEALING A/C	50,000,000	1.29%				
Total Investments	£790,500,000	0.76%				
Total Investments - excluding Funds	£690,500,000	0.63%				0.012%
Total Investments - Funds Only	£100,000,000	1.67%				

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Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **3.63**

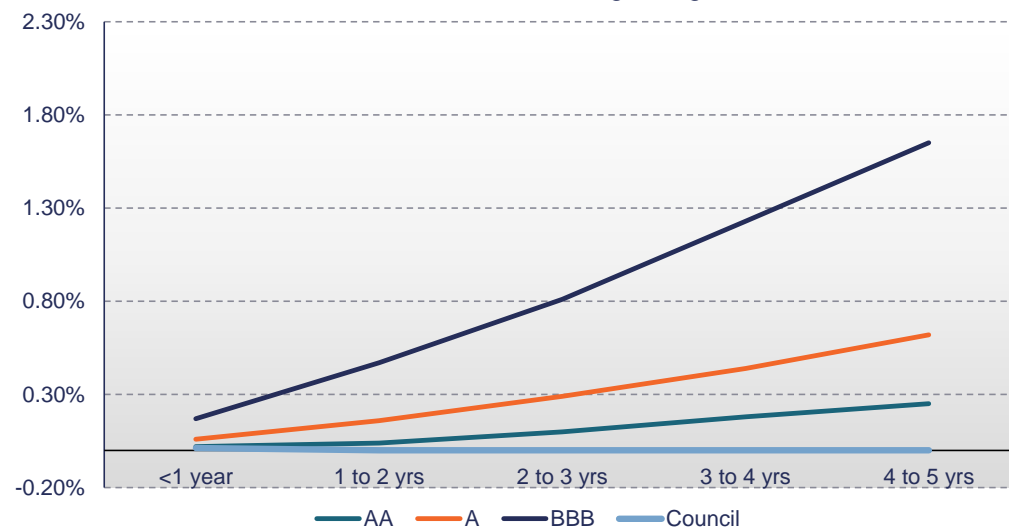
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	23.08%	£159,400,000	47.93%	£76,400,000	11.06%	0.57%	87	128	167	247
Pink1	1.45%	£10,000,000	100.00%	£10,000,000	1.45%	0.48%	0	0	0	0
Pink2	7.97%	£55,000,000	100.00%	£55,000,000	7.97%	0.33%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	16.99%	£117,300,000	47.91%	£56,200,000	8.14%	0.56%	51	120	86	219
Red	44.72%	£308,800,000	32.38%	£100,000,000	14.48%	0.76%	141	273	163	359
Green	5.79%	£40,000,000	0.00%	£0	0.00%	0.59%	31	320	31	320
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£690,500,000	43.10%	£297,600,000	43.10%	0.63%	93	191	138	309

City Of London Corporation

Investment Risk and Rating Exposure

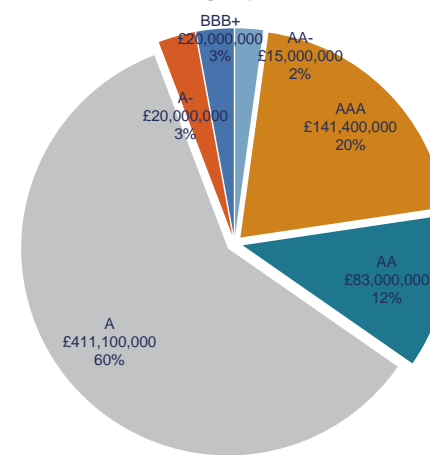
Investment Risk Vs. Rating Categories



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	0.02%	0.04%	0.10%	0.18%	0.25%
A	0.06%	0.16%	0.29%	0.44%	0.62%
BBB	0.17%	0.47%	0.81%	1.23%	1.65%
Council	0.012%	0.000%	0.000%	0.000%	0.000%

Rating Exposure



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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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
01/03/2018	1589	Nationwide Building Society	United Kingdom	Long Term Rating downgraded to 'A' from 'A+', Outlook changed to Stable from Negative. Short Term Rating affirmed.
21/03/2018	1592	Abbey National Treasury Services Plc	United Kingdom	Long Term and Short Term Ratings affirmed, Long Term Rating removed from Positive Watch and placed on Stable Outlook.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
08/03/2018	1590	Goldman Sachs International Bank	United Kingdom	Long Term and Short Term Ratings affirmed, Outlook on Long Term Rating changed to Negative from Stable.
28/03/2018	1593	Cooperatieve Rabobank U.A.	Netherlands	Long Term Rating downgraded to 'Aa3' from 'Aa2', Outlook changed to Stable from Negative. Short Term Rating affirmed.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
01/03/2018	1588	Nationwide Building Society	United Kingdom	Long Term Rating affirmed at 'A', Outlook changed to Positive from Stable. Short Term Rating affirmed at 'A-1'.
19/03/2018	1591	NRW.BANK	Germany	Long Term and Short Term Ratings affirmed, Outlook on Long Term Rating changed to Positive from Stable.

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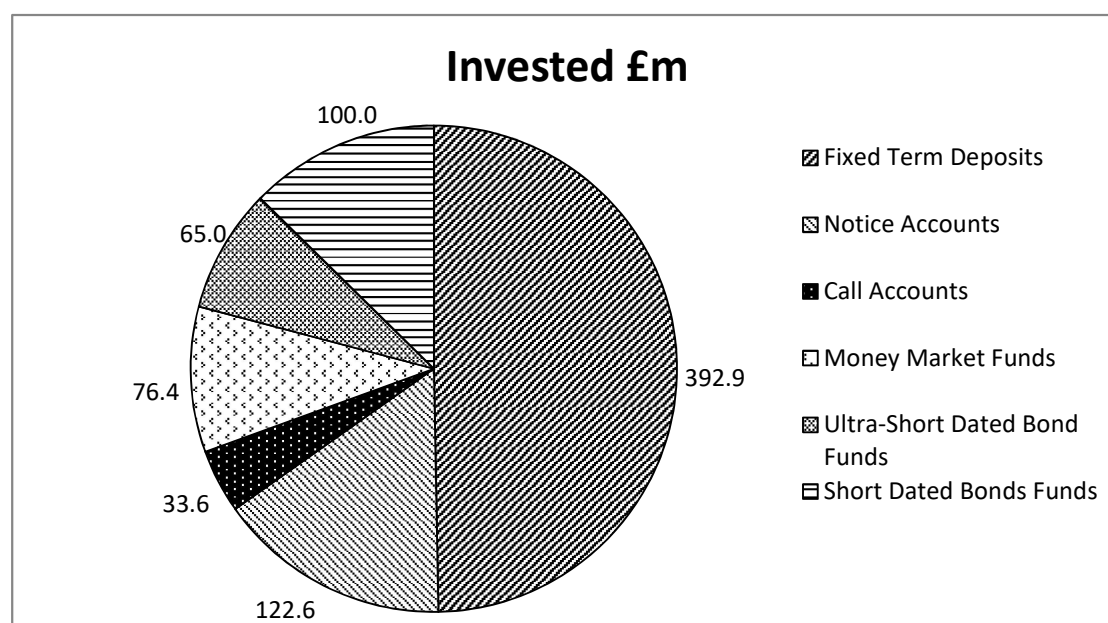
MONTHLY INVESTMENT REVIEW AS AT 31 MARCH 2018

	Counterparty Limit	Total Invested as at 31-Mar-18	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>790.5</u>	<u>0.76%</u>
<u>UK BANKS</u>			
Barclays	100.0	75.0	0.78%
Goldman Sachs International	100.0	100.0	0.97%
HSBC	100.0	-	-
Lloyds	150.0	102.3	0.56%
RBS	100.0	-	-
		<u>277.3</u>	
<u>BUILDING SOCIETIES</u>			
Coventry	20.0	20.0	0.70%
Leeds	20.0	20.0	0.50%
Nationwide	120.0	13.8	0.37%
Skipton	20.0	20.0	0.77%
Yorkshire	20.0	-	-
		<u>73.8</u>	
<u>FOREIGN BANKS</u>			
Australia & New Zealand	25.0	15.0	0.60%
National Australia Bank	25.0	-	-
Svenska Handelsbanken	25.0	-	-
		<u>15.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen Liquidity Fund	100.0	-	-
CCLA - Public Sector Deposit Fund	100.0	10.0	0.46%
Deutsche Global Liquidity Fund	100.0	-	-
Federated Prime Liquidity Fund*	100.0	20.0	0.46%
Invesco Sterling Liquidity Fund	100.0	32.9	0.48%
Standard Life (Ignis) Liquidity Fund*	100.0	23.5	0.46%
		<u>86.4</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	55.0	0.33%
Federated Sterling Cash Plus Fund*	100.0	5.0	0.41%
Standard Life Short Duration Fund*	100.0	5.0	0.55%
		<u>55.0</u>	
<u>SHORT DATED BOND FUNDS</u>			
L&G	100.0	50.0	2.04%
Royal London	100.0	50.0	1.29%
		<u>100.0</u>	
<u>NOTICE ACCOUNTS</u>			
Santander 95 Days Account	100.0	100.0	0.60%
		<u>100.0</u>	
<u>PUBLIC SECTOR</u>			
Leeds City Council	25.0	25.0	0.50%
Northamptonshire CC	25.0	20.0	0.73%
Plymouth CC	25.0	12.0	0.32%
LB Southwark	25.0	20.0	1.10%
Telford & Wrekin BC	25.0	6.0	0.35%
		<u>83.0</u>	
<u>TOTAL</u>		<u>790.50</u>	

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MONTH BY MONTH REPAYMENT PROFILE

	Invested as at 31-Mar-17 £M	Average Rate of Return %
Total	<u>790.5</u>	<u>0.76%</u>
Fixed Term Deposits		
Apr-18	100.0	
May-18	61.9	
Jun-18	10.0	
Jul-18	20.0	
Aug-18	15.0	
Sep-18	25.0	
Oct-18	71.0	
Jan-19	60.0	
Mar-19	30.0	
	<u>392.9</u>	0.74%
Money Market Funds	76.4	0.47%
Ultra-Short Dated Bond Fund	65.0	0.35%
Short-Dated Bond Fund	100.0	1.67%
Notice Accounts		
- Santander 95 Days	100.0	
- Lloyds 32 Days	<u>22.6</u>	
	122.6	0.59%
Call Accounts		
- Lloyds Same Day Access	<u>33.6</u>	
	<u>397.6</u>	0.40%



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Committee:	Date:
Financial Investment Board	24 May 2018
Subject:	Public
Risk Register for Financial Investment Board	
Report of:	For Decision
The Chamberlain	
Report author:	
Tom Broughton– Chamberlain’s Department	

Summary

A draft Risk Register was presented to the March 2018 Financial Investment Board for considered. Members provided feedback and requested amendments be made and for the revised Risk Register to be brought back to the next Board meeting.

Attached at Appendix 2 is the revised Risk Register with the proposed amendments highlighted. The Risk Register is to be reviewed bi-annually by the Financial Investment Board and more regularly on an exceptions basis to ensure any new risks, or material changes in current risks, are identified quickly and that appropriate measures are in place to mitigate those risks.

Recommendations

Members are asked to review the amended risks and actions for the Financial Investment Board’s revised Risk Register and confirm that appropriate control measures are in place.

Main Report

Background

1. At the Financial Investment Board meeting on 22 March, Members reviewed the proposed Financial Investment Board Risk Register. At the meeting Members agreed that the Risk Register would be reviewed bi-annually by the Board and on an exceptions basis to ensure that the existing risks are reconsidered and any new risks identified. Officers were asked to amend some of the risks following feedback from Members and to bring a revised Risk Register to the next Board meeting.

Review of Risks

2. The Risk Register is combined for City Fund, the Pension Fund, City’s Cash and Bridge House Estates as the same key risks exist across these entities. 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 in May 2014. 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.

Amendments

3. The revised Risk Register is attached at Appendix 2 and the amendments have been highlighted. In summary these are as follows:
 - **Risk 1** has been amended to reflect the agreed amendment of City’s Cash and Bridge House Estates return targets from 1st April 2018 to CPI + 4%

(from RPI + 4%) agreed by Financial Investment Board as part of the initial Investment Strategy Review for City's Cash and Bridge House Estates at March's Board meeting.

- **Risk 2** has been broadened to incorporate the cause components that prevent the Funds from achieving their overall return targets, namely that the
 - the Financial Investment Board appoints unsuitable fund managers,
 - individual fund managers underperform against the benchmarks agreed by the Board,
 - aggregate fund manager performance fails to achieve the Board's targets

This is mitigated by regular monitoring of both the investment manager performance against appropriate benchmarks and the aggregate performance against Fund's targets, by the Financial Investment Board throughout the year. When appropriate, investment managers are also invited in to meet with Members and officers to explain their performance.

The target risk rating and score has also been amended to a likelihood scoring of 3 (previously 2) and an impact scoring of 2 to give an overall scoring of 6. This is to reflect that even through mitigations, the Financial Investment Board will have limited capacity to actively influence individual fund manager's performance.

- **Risk 4** has been amended to reflect the agreement of the Court of Common Council to the Treasury Management Strategy Statement for 2018/19.
- **Risk 6** has been amended to include regulatory breach (under Event) and potential regulatory fine (under Effect)

Conclusion

4. The Board is requested to review the risks and confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the FIB Risk Register.

Appendices

- Appendix 1 - City of London Corporation Risk Matrix
- Appendix 2 – Financial Investment Board Risk Register

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

(C) Risk scoring grid

Likelihood	Impact			
	X	Minor (1)	Serious (2)	Major (4)
	Likely (4)	4 Green	8 Amber	16 Red
	Possible (3)	3 Green	6 Amber	12 Amber
	Unlikely (2)	2 Green	4 Green	8 Amber
	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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CHB - FIB

Report Author: Tom Broughton

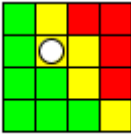
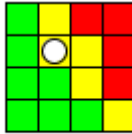

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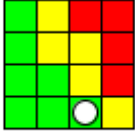


Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB – FIB01 Insufficient assets Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	Cause: The asset allocation of each investment portfolio (Pension Fund, City's Cash and Bridge House Estates) are unable to fund long term liabilities and expenditure requirements due to market movements. Event: There are insufficient assets to meet liabilities or expenditure requirements Effect: Employers of the Pension Fund are required to provide further funding through contributions to finance liabilities. City's Cash and Bridge House Estates would be required to sell financial assets to fund expenditure requirements.	Likelihood Impact	8	The Pension Fund's Investment Strategy review carried out in October 2017 required no changes to the Fund's existing asset allocation. It was agreed to amend the Pension Fund's absolute return target to 5.7% from 1st April 2018. City's Cash and Bridge House Estates' Investment Strategy review was carried out in March 2018 and it was agreed to amend both Fund's return target to CPI+4% from 1st April 2018 10-May-2018	Likelihood Impact	8	24-May-2018	 Constant

Action no	Description	Latest Note	Managed By	Latest Note Date	Due Date
CHB – FIB01a	The Investment strategy of the Pension Fund, City's Cash and Bridge House Estates is reviewed at least every three years by Financial Investment Board.	The Pension Fund's triennial liability valuation is carried out by the Fund's actuary as required by statute every three years and this serves as foundation for the Pension Fund's Investment Strategy, which in turn provides the basic themes and framework for the City's Cash and Bridge House Estates' Investment Strategy reviews. The Pension Fund's Investment Strategy review was completed in October 2017. The Investment Strategy reviews for City's Cash and Bridge House Estates are to be finalised in May 2018.	Caroline Al-Beyerty/Kate Limna	10-May-2018	24-May-2018
CHB – FIB01b	The investment performance of the Pension Fund, City's Cash and the Bridge House Estates is measured against absolute return targets required to meet long term objectives. This is reported to the Financial Investment Board throughout the year and is supplemented by market insight from the Corporation's investment consultants which will assist any strategic decisions required in between the three-year formal Strategy reviews.	Individual Fund Investment performance is brought to each Financial Investment Board for consideration.	Kate Limna/Tom Broughton	10-May-2018	24-May-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB – FIB02 Targeted returns Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	Cause: The Funds fail to achieve the targeted investment returns because <ul style="list-style-type: none"> the Board appoints unsuitable fund managers, individual fund managers underperform against the benchmarks agreed by the Board, aggregate fund manager performance fails to achieve the Board's long-term targets Event: There are insufficient assets to meet the liabilities or net expenditure. Failure to be seen to manage the Funds responsibly Effect: Employers of the Pension Fund are required to provide further funding through contributions to finance liabilities. City's Cash and Bridge House Estates would be required to sell financial assets to fund expenditure requirements. Supervisory intervention over management of the Funds	Likelihood  Impact	6	The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board. 10-May-2018	Likelihood  Impact	6	24-May-2018	 Constant

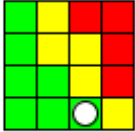
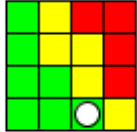

Action no	Description	Latest Note	Managed By	Latest Note Date	Due Date
CHB – FIB02a	Investment manager performance and their aggregate is measured against appropriate benchmarks and monitored by the Financial Investment Board throughout the year. It is supplemented by market insight from the Corporation's investment consultants which provides peer group comparisons, checks on movement of key officers and reviews on the incorporation of ESG considerations in implementing their investment strategies. Fund managers are invited to meet with Officers and Members to account for their performance as and when the Board deem this necessary/as required	Alongside officers, investment consultant Mercer provide quarterly performance reviews of the Funds.	Kate Limna/Tom Broughton	10-May-2018	24-May-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB – FIB03 Service provider failure Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	Cause: Corporate, financial or economic threats result in service provision withdrawal or liquidation of partner organisations Event: Failure of fund manager, investment consultant or other service provider without notice. Effect: Pension Fund, City's Cash or Bridge House Estates' asset valuations at risk or a period of time without service provision.	 Likelihood Impact	4	Officers meet regularly with fund managers, investment consultants and other service providers. Investment consultants. Officers writing to all counterparties requesting latest internal control report from fund managers and custodian ahead of 2017/18 closure of accounts. 08-Mar-2018	 Likelihood Impact	4	31-Mar-2019	 Constant

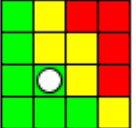
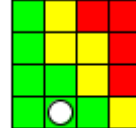

Action no	Description	Latest Note	Managed By	Latest Note Date	Due Date
CHB – FIB03a	Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed.	New manager due diligence undertaken in consultation with investment consultant. Investment consultant appointed via the National LGPS procurement framework in 2015.	Kate Limna/Tom Broughton	08-Mar-2018	31-Mar-2019
CHB – FIB03b	Review of internal control reports on annual basis.	Corporate Treasury compile an archive of the most up to date relevant annual internal control reports issued by all issuing fund managers and custodian as part of statement of account compilation across Funds.	Kate Limna/Tom Broughton	08-Mar-2018	31-May-2018
CHB – FIB03c	Monitor markets regularly through financial publications and seek advice of managers and investment consultant when appropriate.	Officers regularly monitor financial press and industry publications particularly in search of any news regarding entities that have an existing relationship across the Corporation's Funds.	Kate Limna/Tom Broughton	08-Mar-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB – FIB04 Counterparty failure Treasury Management 08-Mar-2018 Peter Kane	Cause: External events threaten the solvency of counterparties the Corporation has lent to. Event: Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. Effect: Asset valuations at risk.	 Likelihood	4	Treasury Management Strategy Statement was agreed at Court of Common Council on 8th March 2018. 08-Mar-2018	 Likelihood	4	31-Mar-2019	 Constant

Action no	Description	Latest Note		Managed By	Latest Note Date	Due Date
CHB – FIB04a	Detailed due diligence is carried out when new counterparties are onboarded.	Independent analysis and consultation with treasury investment advisor when adding additional counterparties, most recent additions are L&G and Royal London.		Kate Limna/Tom Broughton	08-Mar-2018	31-Mar-2019
CHB – FIB04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement.	Treasury Management Strategy Statement agreed by Court of Common Council on 8 th March 2018		Kate Limna/Tom Broughton	10-May-2018	31-Mar-2019
CHB – FIB04c	Monitor markets regularly through credit rating updates and financial publications, plus seeking the advice of treasury investment advisors when appropriate.	Officers continually monitor for credit rating updates, also financial press and industry publications in search of any news regarding the Corporation's counterparties. Treasury investment advisors provide rating agency credit watches on money market participants.		Kate Limna/Tom Broughton	08-Mar-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB – FIB05 Insufficient Cash Treasury Management 08-Mar-2018 Peter Kane	Cause: Inaccurate cash flow modelling for Corporation as a whole. Event: There is insufficient cash available to meet day to day obligations. Effect: Overdrawn position incurs unnecessary expenditure and missed payments damages the Corporations reputation.	Likelihood  Impact	4	Officers have built a cash flow model projecting the Corporation's combined known and unknown cash flow requirements for the forthcoming year on an on-going basis. 08-Mar-2018	Likelihood  Impact	4	31-Mar-2019	 Constant

Action no	Description	Latest Note			Managed By	Latest Note Date	Due Date
HB – FIB05a	Combined cashflow daily forecast maintained to project inflows and outflows over the year forward to ensure a sufficient level of on-going liquidity. Cashflow requirements is the fundamental consideration when agreeing duration of fixed term deposits or placing capital in money market funds.	Cash flow model maintained daily, incorporating known flows and estimating payments and income of uncertain timing based on the cash flow profiles of the previous 12 months.			Kate Limna/Tom Broughton	08-Mar-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB – FIB06 Governance 08-Mar-2018 Peter Kane	Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Event: Board members and Officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory Breach. Effect: Inappropriate decisions are made leading to a financial impact or a breach of legislation or service not provided in line with best practice and legal requirements. Potential regulatory fines.	 Likelihood Impact	4	Member and officer experience and knowledge was assembled as part of the MiFID II opt up process and deemed sufficient by all Fund Managers, advisors and counterparties to substantiate opt up to 'professional' client status. 08-Mar-2018	 Likelihood Impact	2	31-Mar-2019	 Decreasing

Action no	Description	Latest Note	Managed By	Latest Note Date	Due Date
CHB – FIB06a	Training provided to Board Members on a range of investment topics and asset classes on a needs basis. Continued Professional Development (CPD) records maintained and updated annually.	Training record created in support of MiFID II application to professional client status and will be updated in September 2018.	Kate Limna/Tom Broughton	08-Mar-2018	30-Sep-2018
CHB – FIB06b	Job descriptions used at recruitment to attract candidates with skills and experience related to investment finance. The Corporation maintains membership of CIPFA's Pension Network, CIPFA's Treasury Management Network plus the LAPFF, LPFA and PLSA – all providing access to training opportunities via courses, seminars and conferences.	Officers continue to attend training courses, seminars and conferences where deemed appropriate to enhance understanding of markets, financial instruments, regulatory and statutory reporting issues.	Caroline Al-Beyerty/Kate Limna	08-Mar-2018	31-Mar-2019
CHB – FIB06c	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Appraisals due to take place after the end of March for all staff including review of individual training requirements going forward.	Caroline Al-Beyerty/Kate Limna	08-Mar-2018	31-Mar-2019
CHB – FIB06d	External professional advice sought where required.	Investment consultants provided focused training session as and when required.	Kate Limna/Tom Broughton	08-Mar-2018	31-Mar-2019

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