



Financial Investment Board

Date: MONDAY, 20 MAY 2019
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Membership will be confirmed at the meeting of the Investment Committee on 16th May 2019

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N.B. Part of this meeting may be subject to audio-visual recording.

Lunch will be served in the Guildhall Club at 1.00pm.

**John Barradell
Town Clerk**

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 12 February 2019.

For Decision
(Pages 1 - 4)
4. **MONTHLY INVESTMENT ANALYSIS**
Report of the Chamberlain

For Information
(Pages 5 - 20)
5. **RISK REGISTER FOR THE FINANCIAL INVESTMENT BOARD**
Report of the Chamberlain

For Decision
(Pages 21 - 36)
6. **REPORT OF ACTION TAKEN**
Report of the Town Clerk

For Information
(Pages 37 - 38)
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 on 12 February 2019.
For Decision
(Pages 39 - 42)
11. **NON-PUBLIC OUTSTANDING ACTIONS**
Report of the Town Clerk
For Information
(Pages 43 - 44)
12. **REVIEW REPORT OF FIB ACTIVITIES OVER THE LAST 12 MONTHS**
Report of the Chamberlain
For Information
(Pages 45 - 50)
13. **INVESTMENT MONITORING REPORT TO 28 FEBRUARY 2019**
Report of the Chamberlain
For Information
(Pages 51 - 72)
14. **STEWARDSHIP REVIEW**
Report of the Chamberlain
For Decision
(Pages 73 - 96)
15. **GLOBAL EQUITY MANAGER POST TRANSITION ANALYSIS (PENSION FUND)**
Report of the Chamberlain
For Information
(Pages 97 - 108)
16. **GLOBAL EQUITY MANAGER TRANSITION (CITY'S CASH AND BRIDGE HOUSE ESTATES)**
Report of the Chamberlain
For Information
(Pages 109 - 112)
17. **NON-PUBLIC REPORT OF ACTION TAKEN**
Report of the Town Clerk
For Information
(Pages 113 - 114)

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

FINANCIAL INVESTMENT BOARD

Tuesday, 12 February 2019

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)	Andrien Meyers
Henry Colthurst	James de Sausmarez
Deputy Tom Hoffman	Ian Seaton
Alderman Robert Howard	Deputy Philip Woodhouse
Deputy Jamie Ingham Clark	

Officers:

Joseph Anstee	- Town Clerk's Department
Caroline Al-Beyerty	- Chamberlain's Department
Kate Limna	- Chamberlain's Department
James Graham	- Chamberlain's Department
Catrina Arbuckle	- Mercer

1. APOLOGIES

Apologies for absence were received from Tim Levene and Deputy Henry Pollard.

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 22 November 2018 be agreed as a correct record.

4. OUTSTANDING ACTIONS

The Board noted that Treasury Management training with Link Asset Services had taken place that morning. The Treasury Management Strategy Statement for the ensuing year was on the agenda for consideration.

RESOLVED – That the list of outstanding actions be noted.

5. MONTHLY INVESTMENT ANALYSIS

The Board received a report of the Chamberlain concerning the monthly investment analysis review for September 2018. The Board noted the current

investment list, total investment values and average rate of return set out in the report.

A Member asked for an update on the loan to Northamptonshire County Council, which had been due to mature in January 2019. The Chamberlain responded that the loan had been repaid on time, with interest.

In response to a query from a Member, the Chamberlain explained that business rates were paid in over ten months, and were paid out to central government over twelve months in scheduled, equal payments. As a result, cash balances were lower for a period during the year as funds continued to be paid out when they were not also being collected.

The Chamberlain advised the Board that the maximum amount for lending to banks could be reviewed and changed if it was the will of the Board. The Board noted that as the City Corporation's bank, the maximum amount for Lloyd's was higher to give necessary flexibility with regards to cashflow. Building societies were considered on the basis of their balance sheet rather than their long-term rating, and were given a maximum amount of £20 million and maximum loan duration of one year, apart from Nationwide, which was allocated a higher maximum amount and longer loan duration because of its size. The Board noted that the long-term ratings set out were attributed by Link Asset Services.

RESOLVED – That the report be noted.

6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20

The Board considered a report of the Chamberlain setting out the City's Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20. The Board noted the colour copies of the Strategy provided and that changes made from the previous year's strategy were marked in yellow. The Board also noted the addendum tabled by the Chamberlain setting out changes to the capital programme. These revisions would be incorporated into the report submitted to the Finance Committee. The Chamberlain advised that the strategy had been amended by the Court of Common Council in December 2018 to include a borrowing policy for City's Cash.

The Board discussed the parameters for maximum loan durations and investment and borrowing limits. The Chamberlain advised the Board that the limits were generally there to provide flexibility and keep options open in case a good opportunity arose. All local authorities had to set an authorised limit for external debt and the figures given represented the upper threshold.

The Board noted the table setting out maturity structure of borrowing, and was advised that this addressed refinancing risk, allowing for the spread of debt for maturity at different times. This would mitigate the risk of the City Corporation having an excessive amount of debt to refinance in any one period. A Member queried the upper limit of 50% allocated for borrowing under 12 months or less, and suggested that 25% may be more appropriate as it encouraged discipline and carried less risk. The Chamberlain advised that the recommended limit

allowed flexibility. The Board then discussed approved counterparties and their investment limits, noting that Lloyds, as the bank used by the City Corporation, required a higher limit for greater flexibility, otherwise the limit for UK banks was £100 million.

A Member asked whether the limits on lending to foreign banks were too low. The Chamberlain responded that the limits had been set at £25 million for some time, as Members had previously been against having a large exposure to foreign banks. The limits could be raised if Members were minded to do so. The Board suggested that officers review the limits, and bring a report back if substantial due diligence would be required before raising the limits. However, if the changes could be made easily made, the Board agreed to delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to consider a report recommending that the limits be amended ahead of the submission of the Treasury Management Strategy to the Court of Common Council.

RESOLVED – That the Financial Investment Board:

- a) Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to consider a review of the maximum lending limits to foreign banks ahead of the submission of the Treasury Management Strategy to the Court of Common Council; and
- b) Pending the above decision, approve the Treasury Management Strategy and Annual Investment Strategy for 2019/20, and submits it to the Finance Committee and the Court of Common Council as part of the City Fund – 2019 Budget Report for formal adoption.

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 - 16	3
17 - 18	-

10. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the non-public minutes of the meeting held on 22 November 2018 be agreed as a correct record.

11. NON-PUBLIC OUTSTANDING ACTIONS

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

12. INVESTMENT MONITORING REPORTS

a) **Investment Performance Monitoring to 31 December 2018** and

b) **Quarterly Monitoring Report**

The Board received reports of the Chamberlain and of Mercer.

13. STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME: INFORMAL CONSULTATION

The Board considered a report of the Chamberlain.

14. CHARITIES POOL WORKING GROUP

The Board considered a report of the Chamberlain.

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

There were no non-public questions.

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 closed at 2.55 pm

Chairman

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City Of London Corporation

Monthly Investment Analysis Review

February 2019

General Economy

February kicked off with the Manufacturing PMI activity survey, which fell to 52.8 in January, from 54.2 the previous month. Construction PMI dropped to 50.6, falling from the December reading of 52.8; delays to client decision-making on new projects in response to Brexit uncertainty was cited as a key source of anxiety at the start 2019. The new reading was the lowest since the weather-affected March 2018 survey. Services PMI rounded the figures off with a low score of 50.1 in January, with the extent of the fall more than reversing the modest bounce seen in December (51.2). This left the Composite figure at 50.3 from 51.5. If this level is maintained, it would be consistent with GDP growth stagnating in Q1.

The UK's total trade balance for December widened to £3.23bn. Meanwhile, the trade balance for goods, not services, was little changed at £12.10bn, from £12.40bn previously. GDP for Q4 fell to 1.3% y/y from 1.6% previously, the sharp slowdown was evidenced further by the q/q figure falling to 0.2% from 0.6% in Q3.

British inflation fell to a two-year low, dipping below the Bank of England's target of 2% and offering some relief to consumers and households ahead of Brexit. A new government cap on household bills kicked in, helping to limit consumer prices increases at an annual rate of 1.8% in January as opposed to 2.1% in December.

The UK's very low level of unemployment remained unchanged in December at 4%. The number of people in work rose by 167,000 in the three months to December, pushing up annual employment growth from 1.0% in November to 1.4%. However, wage growth was weaker than anticipated; annual growth in average weekly earnings slipped from 3.3% to 2.8%. That was the weakest since June and was due to both bonuses and regular pay growth easing. With GDP growth slowing, but employment growth picking up, annual productivity growth fell further from +0.4% Q3 to -0.1% in Q4. Combined with strong pay growth, that may push up inflation in the medium term.

Meanwhile, British retail sales rebounded strongly in January as clothing discounts attracted shoppers. Compared with one year ago retail sales were 4.2% higher in January, beating forecasts pointing to a figure of 3.4%. Retail sales volume also rose by 1.0% on the month in January. This data confirmed that spending may have recovered partially from a slowdown towards the end of 2018 after splashing out during the hot summer and the World Cup. If a no deal Brexit is avoided consumers should be in a good position to ramp up spending in the second half of the year, especially if wage growth continues to exceed the pace of inflation.

The January borrowing figures came in very strong, flattered by previous tax changes. The government registered a surplus of £14.9bn in January, up from £9.3bn in the same month last year and marked the largest January surplus on record. Analysts suggested that the strength of receipts could indicate that GDP growth was not as weak as suggested in some surveys and also indicate that the Chancellor should be able to beat the OBR borrowing forecast for the financial year.

The Confederation of British Industry (CBI) data for the month was mixed – its Distributive Trades survey (retail focussed) stayed flat at 0 for February, whilst Industrial Trends (manufacturing focussed) rose from -1 to 6. Elsewhere, mortgage approvals for January rose markedly to 66,766, while the GFK Consumer Confidence reading rose to -13, up from -15, which had been its lowest level in more than five years.

In the US, December's Nonfarm Payrolls came in at 304,000, materially above forecasts of 170,000. Average hourly earnings came in at 3.2%, a very slight drop from a previous figure of 3.3%. The unemployment rate ticked up slightly to 4%. There was no Federal Reserve policy meeting in February. The advance reading of Q4 growth (annualised) was delayed until the close of the month due to the previous government shutdown. In the event, it came in at 2.6%, down from 3.4% in Q3. This provided further evidence of a slowdown in the pace of US economic activity, justifying the tempering of market expectations of future rate hikes by the Federal Reserve.

In the Eurozone, unemployment fell slightly to 7.8% in January. Meanwhile, GDP growth came in at 1.2% y/y for Q4, a drop from Q3's 1.6% figure, and the q/q figure for Q4 remained at 0.2%, in line with forecasts.

Housing

According to Nationwide's index, house prices only rose 0.4% y/y in February, compared to a previous figure of 0.1%, as Brexit uncertainty continues to slow activity. The m/m figure was -0.1%, also evidencing a slowdown. Halifax's 3 month y/y figure for the month of January was 0.8%, down from 1.3%, whilst their m/m figure showed a significant fall of -2.9%.

Currency

Sterling began February at \$1.31 and €1.14 against the dollar and euro respectively, and finished the month at \$1.33 and €1.17.

Forecast

Link Asset Services suggest that the next interest rate rise will be in the third quarter of 2019, followed by further hikes in Q2 2020 and Q1 2021, reaching 2.00% in Q1 2022. Capital Economics also expect the next rate rise will be in Q3 2019, followed by further regular rises, reaching 1.75% in Q4 2020.

Bank Rate										
	Now	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%
Capital Economics	0.75%	0.75%	0.75%	1.00%	1.25%	1.50%	1.75%	1.75%	1.75%	-

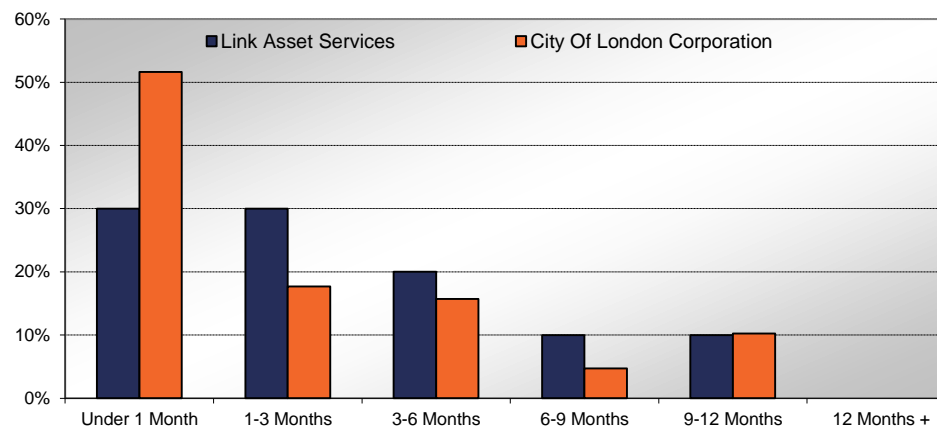
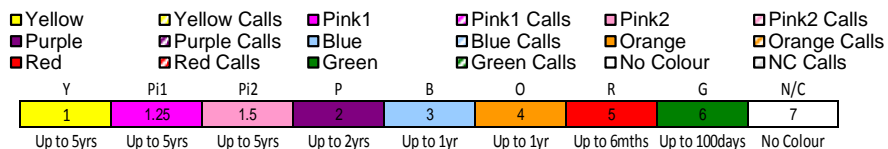
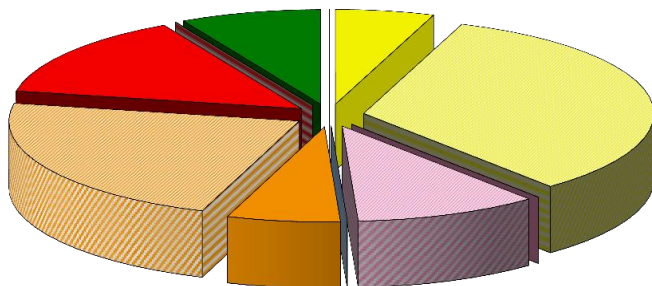
City Of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Fitch Long Term Rating	Lowest Long Term Rating	Historic Risk of Default
USDBF Aberdeen Standard Investments	5,000,000	1.16%		USDBF	AAA	AAA	0.000%
MMF Aberdeen Standard Investments	50,000,000	0.79%		MMF	AAA	AAA	0.000%
MMF CCLA	10,000,000	0.79%		MMF	AAA	AAA	0.000%
MMF Deutsche	35,200,000	0.76%		MMF	AAA	AAA	0.000%
USDBF Federated Sterling Cash Plus Fund	5,000,000	0.86%		USDBF	AAA	AAA	0.000%
MMF Federated Investors (UK)	53,700,000	0.78%		MMF	AAA	AAA	0.000%
MMF Invesco	63,600,000	0.75%		MMF	AAA	AAA	0.000%
Lloyds Bank Plc (RFB)	21,100,000	0.65%		Call	A+	A+	0.000%
USDBF Payden Sterling Reserve Fund	55,000,000	0.54%		USDBF	AAA	AAA	0.000%
London Borough of Southwark	20,000,000	1.10%	19/03/2018	28/03/2019	AA	AA	0.002%
Goldman Sachs International Bank	10,000,000	1.20%	29/03/2018	29/03/2019	A	A	0.004%
Lloyds Bank Plc (RFB)	22,600,000	0.75%		Call32	A+	A+	0.005%
Skipton Building Society	20,000,000	1.00%	23/04/2018	18/04/2019	A-	BBB+	0.021%
Yorkshire Building Society	20,000,000	0.88%	27/04/2018	26/04/2019	A-	A-	0.008%
Barclays Bank Plc (NRFB)	25,000,000	1.07%	17/04/2018	01/05/2019	A+	A	0.009%
Leeds Building Society	10,000,000	0.86%	16/05/2018	16/05/2019	A-	A-	0.011%
Goldman Sachs International Bank	15,000,000	1.13%	18/05/2018	20/05/2019	A	A	0.012%
Santander UK Plc	20,000,000	0.90%		Call95	A+	A	0.014%
Lloyds Bank Plc (RFB)	15,000,000	1.00%	08/06/2018	10/06/2019	A+	A+	0.015%
Goldman Sachs International Bank	20,000,000	1.12%	02/07/2018	02/07/2019	A	A	0.018%
Lloyds Bank Plc (RFB)	15,000,000	1.00%	13/07/2018	15/07/2019	A+	A+	0.020%
Santander UK Plc	30,000,000	1.00%		Call180	A+	A	0.027%
Australia and New Zealand Banking Group Ltd	10,000,000	1.05%	09/04/2018	09/10/2019	AA-	AA-	0.015%
Goldman Sachs International Bank	20,000,000	1.32%	02/11/2018	07/11/2019	A	A	0.037%
Lancashire County Council	15,000,000	1.27%	14/05/2018	16/12/2019	AA	AA	0.020%
Santander UK Plc	50,000,000	1.15%		Call365	A+	A	0.054%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G UTM CLIENT ACC (UTM)	50,000,000	1.38%					
ROYAL LONDON UT MGRS LTD DEALING A/C	50,000,000	1.38%					
Total Investments	£736,200,000	0.96%					
Total Investments - excluding Funds	£636,200,000	0.90%					0.011%
Total Investments - Funds Only	£100,000,000	1.38%					

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Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **2.88**

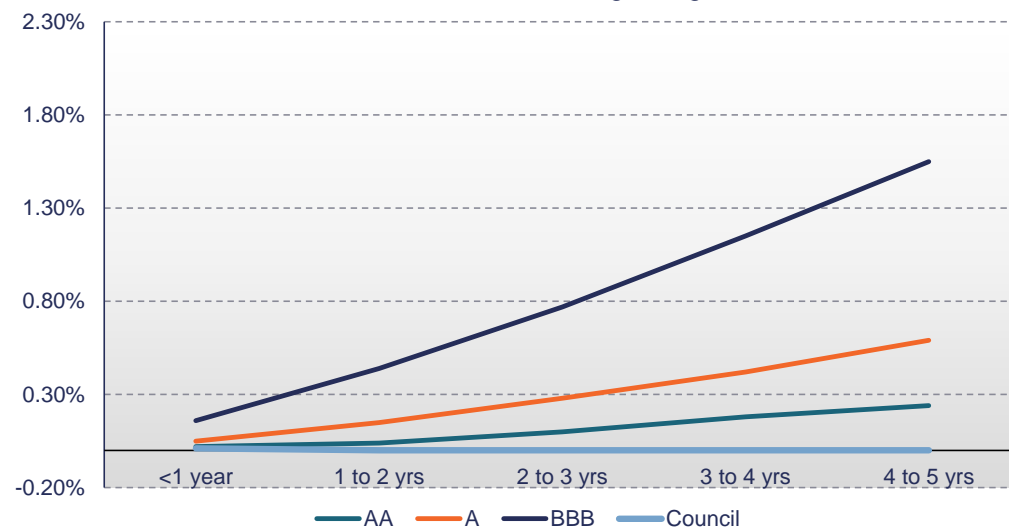
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	38.90%	£247,500,000	85.86%	£212,500,000	33.40%	0.83%	20	65	141	463
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	10.22%	£65,000,000	100.00%	£65,000,000	10.22%	0.61%	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	28.87%	£183,700,000	78.23%	£143,700,000	22.59%	0.96%	175	233	145	412
Red	14.15%	£90,000,000	0.00%	£0	0.00%	1.16%	118	370	118	370
Green	7.86%	£50,000,000	0.00%	£0	0.00%	0.92%	58	363	58	363
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£636,200,000	66.21%	£421,200,000	66.21%	0.90%	79	174	113	391

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Investment Risk and Rating Exposure

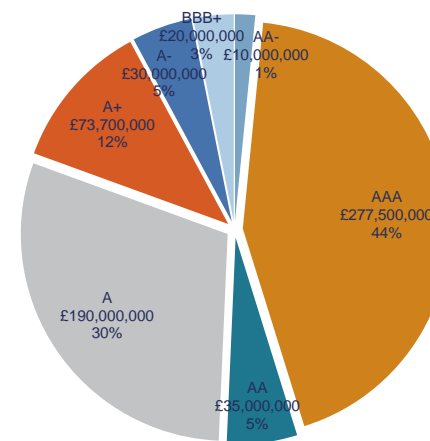
Investment Risk Vs. Rating Categories



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%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.011%	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.

City Of London Corporation

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
04/02/2019	1665	Bank of Montreal	Canada	The Support Rating was downgraded to '5' from '2'.
04/02/2019	1665	Bank of Nova Scotia	Canada	The Support Rating was downgraded to '5' from '2'.
04/02/2019	1665	Canadian Imperial Bank of Commerce	Canada	The Support Rating was downgraded to '5' from '2'.
04/02/2019	1665	National Bank of Canada	Canada	The Support Rating was downgraded to '5' from '2'.
04/02/2019	1665	Royal Bank of Canada	Canada	The Support Rating was downgraded to '5' from '2'.
04/02/2019	1665	Toronto-Dominion Bank	Canada	The Support Rating was downgraded to '5' from '2'.
08/02/2019	1666	ING Bank N.V.	Netherlands	The Long Term Rating was upgraded to 'AA-' from 'A+' and placed on Stable Outlook. The Short Term Rating was upgraded to 'F1+' from 'F1'.
15/02/2019	1667	National Australia Bank Ltd.	Australia	The Outlook on the Long Term Rating was changed to Negative from Stable and all ratings were affirmed.
21/02/2019	1668	United Kingdom Sovereign	United Kingdom	The Sovereign Rating was placed on Negative Watch and removed from Negative Outlook.
22/02/2019	1670	Norddeutsche Landesbank Girozentrale	Germany	The Viability Rating was downgraded to 'f' from 'bb' and removed from Negative Watch.

City Of London Corporation

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
22/02/2019	1669	Citibank N.A.	United States	The Long Term Rating was upgraded to 'Aa3' from 'A1', removed from Positive Watch and placed on Stable Outlook. The Short Term Rating was affirmed.

City Of London Corporation

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
		N/A		No rating action to report in February.

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MONTHLY INVESTMENT REVIEW AS AT 28 FEBRUARY 2019

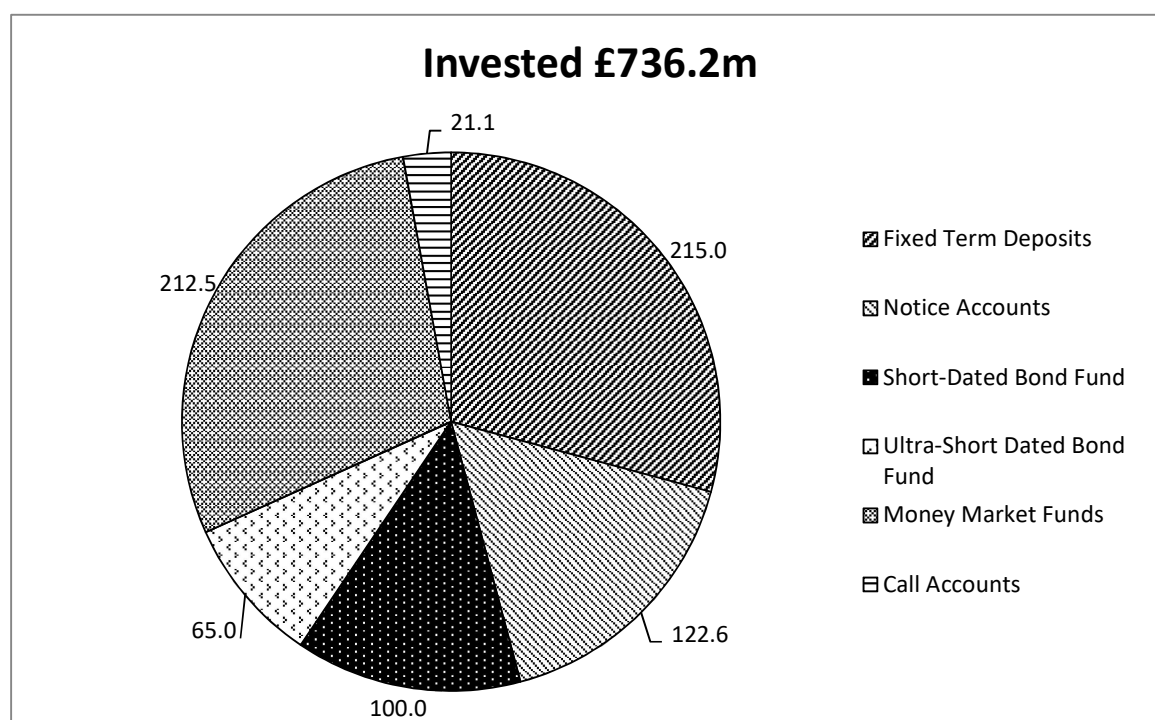
	Counterparty Limit	Total Invested as at 28-Feb-19	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>736.2</u>	<u>0.96%</u>
<u>UK BANKS</u>			
Barclays	100.0	25.0	1.07%
Goldman Sachs	100.0	65.0	1.20%
HSBC	100.0	-	-
Lloyds	150.0	51.1	0.82%
RBS	100.0	-	-
		<u>141.1</u>	
<u>BUILDING SOCIETIES</u>			
Coventry	20.0	-	-
Leeds	20.0	10.0	0.86%
Nationwide	120.0	-	-
Skipton	20.0	20.0	1.00%
Yorkshire	20.0	20.0	0.88%
		<u>50.0</u>	
<u>FOREIGN BANKS*</u>			
Australia & New Zealand	25.0	10.0	1.05%
National Australia Bank	25.0	-	-
Svenska Handelsbanken	25.0	-	-
		<u>10.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen SLI Liquidity Fund	100.0	50.0	0.79%
CCLA - Public Sector Deposit Fund	100.0	10.0	0.79%
Deutsche Global Liquidity Fund	100.0	35.2	0.76%
Federated Prime Liquidity Fund*	100.0	53.7	0.78%
Invesco Sterling Liquidity Fund	100.0	63.6	0.75%
Standard Life (Ignis) Liquidity Fund*	100.0	-	-
		<u>212.5</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	55.0	0.54%
Aberdeen SLI Short Duration Fund*	100.0	5.0	1.16%
Federated Sterling Cash Plus Fund*	100.0	5.0	0.86%
Standard Life Short Duration Fund*	100.0	-	-
		<u>65.0</u>	
<u>SHORT DATED BOND FUNDS</u>			
L&G	100.0	50.0	1.38%
Royal London	100.0	50.0	1.38%
		<u>100.0</u>	
<u>NOTICE ACCOUNTS</u>			
Goldman Sachs 370 Days Account	100.0	-	-
Lloyds 32 Days Account	100.0	22.6	0.75%
Santander 95 Days Account	100.0	20.0	0.90%
Santander 180 Days Account	100.0	30.0	1.00%
Santander 365 Days Account	100.0	50.0	1.15%
		<u>122.6</u>	
<u>PUBLIC SECTOR</u>			
Birmingham City	25.0	-	-
Lancashire CC	25.0	15.0	1.27%
Leeds City Council	25.0	-	-
Northamptonshire CC	25.0	-	-
LB Southwark	25.0	20.0	1.10%
		<u>35.0</u>	
<u>TOTAL</u>		<u>736.2</u>	

*The counterparty limit for individual foreign banks has been increased from £25m to £100m under the 2019/20 Treasury Management Strategy Statement and this will come into effect on 1 April 2019.

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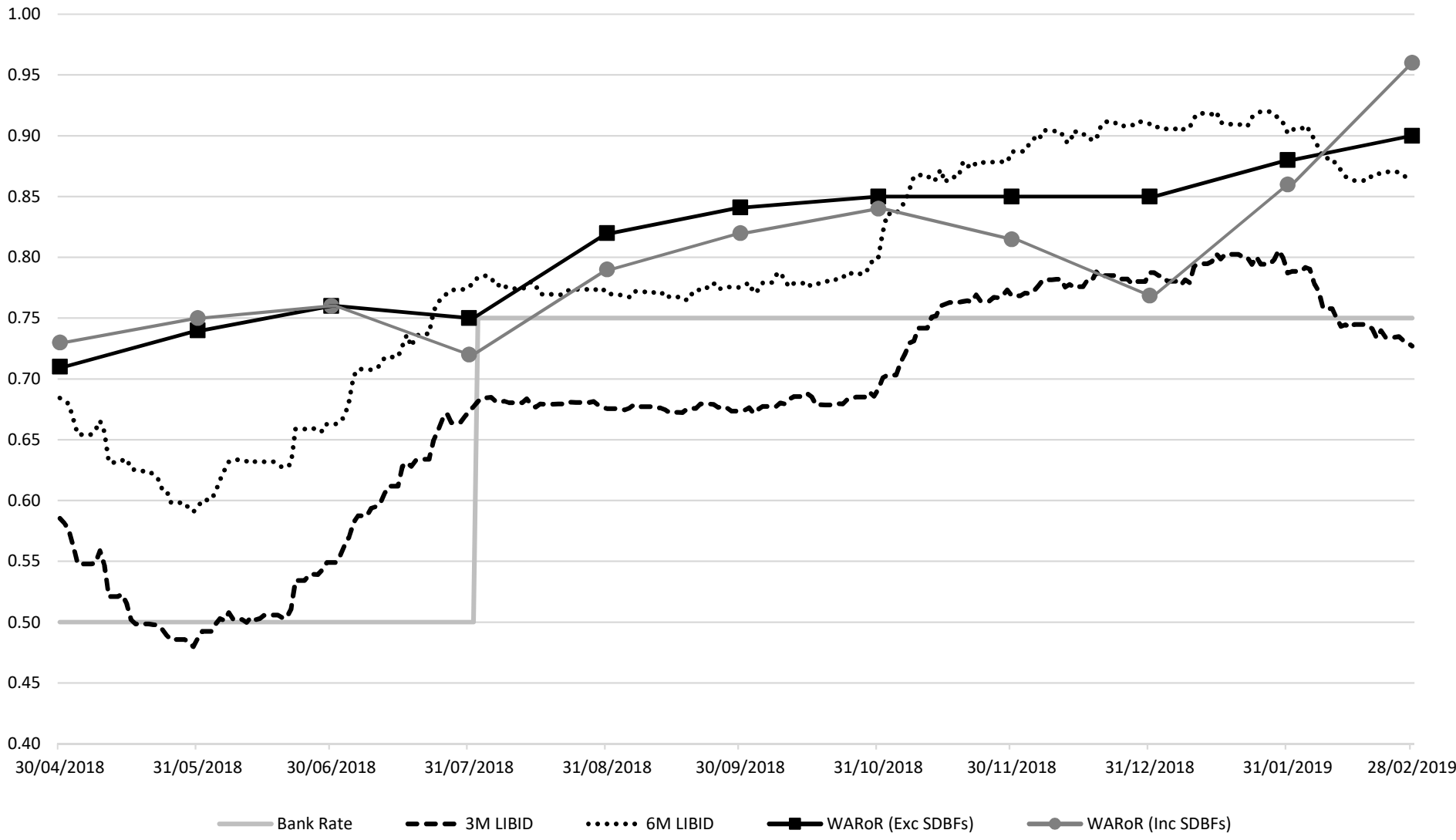
MONTH BY MONTH REPAYMENT PROFILE

	Invested as at 28-Feb-19 £M	Average Rate of Return %
Total	736.2	0.96%
Fixed Term Deposits		
Mar-19	30.0	
Apr-19	40.0	
May-19	50.0	
Jun-19	15.0	
Jul-19	35.0	
Oct-19	10.0	
Nov-19	20	
Dec-19	15.0	
	215.0	1.08%
Money Market Funds	212.5	0.58%
Ultra-Short Dated Bond Fund	65.0	0.61%
Short-Dated Bond Fund	100.0	1.38%
Notice Accounts		
- Goldman Sachs 370 Days	-	
- Santander 95 Days	20.0	
- Santander 180 Days	30.0	
- Santander 365 Days	50.0	
- Lloyds 32 Days	22.6	
	122.6	1.00%
Call Accounts		
- Lloyds Same Day Access	21.1	0.65%
	521.2	



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Treasury Portfolio Weighted Average Rate of Return (WARoR) vs. Benchmarks



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Committee:	Date:
Financial Investment Board	20 May 2019
Subject:	Public
Risk Register for Financial Investment Board	
Report of:	For Decision
The Chamberlain	
Report author:	
James Graham – Chamberlain’s Department	

Summary

This report reviews the key Risk Register for the Financial Investment Board. The Risk Register details the key risks that the Board has identified alongside a risk score which indicates the likelihood of a risk being realised together with the potential impact to the organisation and the appropriate mitigations. The Risk Register is reviewed regularly by the Board and more frequently by officers, who report any material changes or new risks identified in between reviews on an exceptions basis. Responsible officers have conducted a preliminary review of the risks register and do not recommend that any changes are made to the risk scores on the Risk Register. Officers do not recommend that any new risks are added to the register and neither do they advise that any existing risks should be removed.

Recommendations

Members are asked to:

- review the existing risks and actions present on the Financial Investment Board’s Risk Register, and confirm that appropriate control measures are in place;
- confirm that a dedicated PRI risk is added to the Risk Register and brought back to the next meeting for consideration; and
- confirm that there are no further risks relating to the services overseen by the Financial Investment Board;

Main Report

Background

1. The Financial Investment Board instituted a Risk Register on 22 March 2018 to help identify and manage the strategic risks facing the Board in discharging its responsibilities to oversee the City’s non-property investments. The current Risk Register, as agreed by the Board on 24 May 2018 is included as Appendix 2.
2. The Financial Investment Board should review the register biannually. Officers review the register more frequently and report any material changes between reviews on an exceptions basis to the Board. This is in line with standard risk review procedures across the rest of the City of London Corporation.

Review of Risks

3. 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".
4. The Risk Register to be reviewed is set out in Appendix 2. This contains six risks as summarised below:
 1. Fund's asset allocation is unable to meet liabilities or expenditure requirements – overall risk score of amber (8)
 2. Fund managers fail to achieve the targeted investment returns – overall risk score of amber (8)
 3. Service provision withdrawal or liquidation of partner organisations –overall risk score of green (4)
 4. External events threaten the solvency of counterparties the Corporation has lent to – overall risk score of green (4)
 5. Inaccurate cash flow modelling for Corporation as a whole– overall risk score of green (4)
 6. Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc.– overall risk score of green (2)

Update on risks

5. Each risk in the register has been reappraised by the responsible officer within the Corporation who is referred to as the 'Risk Owner' in the register. Officers have reviewed the register for the Financial Investment Board and do not consider that the risk environment has changed materially since the Board last reviewed the register in May 2018. Updates to each risk have been provided where relevant and highlighted on the register. The risks affected are CHB FIB 01, CHB FIB 02, CHB FIB 04, CHB FIB 05 and CHB FIB 06.
6. Risks 1 and 2 are currently considered to have an "amber" risk score and warrant special attention.
 - a. Risk 1: Financial markets experienced an increase in volatility in the final quarter of 2018 and into 2019. Although this has had an immediate impact on the valuations of the City's three funds, the City is a long-term investor and expects to experience short-term fluctuations. The three funds are currently outperforming their three-year absolute return targets as at the 28 February 2019. City's Cash and the Pension Fund are both outperforming the five-year measure whilst Bridge House Estates is marginally behind (6.1% per annum versus 6.2%).
 - b. Risk 2: The Financial Investment Board continually monitors and interrogates individual fund manager performance, reviewing managers' returns at each Board meeting and engaging managers where necessary in between meetings. Since the last review of the Risk Register, officers and Members have held numerous meetings with existing managers and two underperforming managers have been replaced. Although fund managers

are given sufficient time to produce results the Financial Investment Board acts decisively where it believes a manager is unable to recover from poor performance.

7. As a result, officers do not consider that these risks have changed significantly since the last review. They continue to remain the most serious risks on the register and require active risk management by Members and officers. All other risks continue to have a “green” risk score.
8. Officers have also considered whether any new risks have emerged since the last review. Although the Board’s operating environment continually changes officers have determined that the existing register captures the material risks facing the Board and enables the Board to concentrate on the most prescient risks. However now that the City Corporation is a signatory to the Principles for Responsible Investment (PRI) Members may wish to consider whether there is a reputational risk around the City Corporation’s ESG aspirations. Subject to Members’ views it is proposed to add a dedicated PRI risk to the Risk Register and bring back a revised version to the next meeting of the Financial Investment Board.

Conclusion

9. The risks overseen by the Financial Investment Board are primarily of low likelihoods but represent substantial impact, particularly with regards to financial loss and reputational damage. 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 Risk Register.

Appendices

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

Contacts:

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Corporate Treasurer
Chamberlains Department

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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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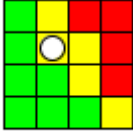
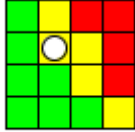

Report Author: James Graham
Generated on: 01 April 2019



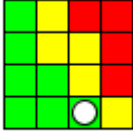
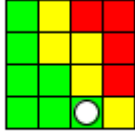

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Action no	Action description	Latest Note			Action owner	Latest Note Date
CHB FIB 01a	The Investment strategy of the Pension Fund, Bridge House Estates and City's Cash is reviewed at least every three years by the Financial Investment Board.	The Pension 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 review for City's Cash was completed in May 2018. Changes to Bridge House Estates strategy have been deferred until the governance review is completed. For the Bridge House Estates, whilst initial work as part of the governance review has been completed further work is to be undertaken to review the investment strategy of the Charity as a whole with the support of an external consultant and this expected to be completed next year.			Caroline Al-Beyerty; Kate Limna	02-May-2019
CHB FIB 01b	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, James Graham;	02-May-2019

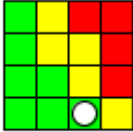
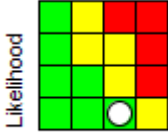

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 02 Targeted returns – Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	Cause: Fund managers 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: Failure to be seen to manage the funds responsibly. Effect: 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. Two underperforming managers have been replaced in 2018. 02 May 2019	Likelihood  Impact	6	20-May-2019	 Constant

Action no	Action description	Latest Note			Action owner	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, James Graham	02-May-2018	20-May-2019

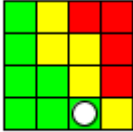
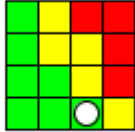

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 03 Service provider failure Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 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. Officers writing to all counterparties requesting latest internal control report from fund managers and custodian ahead of the closure of accounts. 02 May 2019	Likelihood  Impact	4	20-May-2019	 Constant

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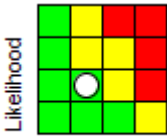
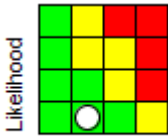

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CHB FIB03a	Detailed due diligence is carried out when new fund managers, investment consultant or other service provider are appointed.	New manager due diligence undertaken in consultation with investment consultant. Investment consultant appointed via the National LGPS procurement framework in 2015.		Kate Limna, James Graham	02-May-2019	20-May-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, James Graham	02-May-2019	20-May-2019
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, James Graham	02-May-2019	20-May-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 FIB 04 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  Impact	4	Treasury Management Strategy Statement was agreed at Court of Common Council on 8 th March 2018 7 th March 2019 02-May-2019	Likelihood  Impact	4	20-May-2020	 Constant

Action no	Action description	Latest Note		Action owner	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, James Graham	02-May-2019	20-May-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 7 th March 2019.		Kate Limna, James Graham	02-May-2019	20-May-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 and other market data including Credit Default Swap prices on money market participants.		Kate Limna, James Graham	02-May-2019	20-May-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 FIB 05 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 continue to maintain 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	20-May-2019	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
Page 32 CHB FIB 05a	Combined cashflow daily forecast maintained to project inflows and outflows over the year forward to ensure a sufficient level of on-going liquidity. Cashflow requirement 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, James Graham	02-May-2019	20-May-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 FIB 06 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. Members undertook treasury management training in February 2019. Members and officers monitor changes in applicable regulations. 02 May 2019	 Likelihood Impact	2	20-May-2019	 Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB FIB 06a	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 annually.			Kate Limna, James Graham	02-May-2019	20-May-2019
CHB FIB 06b	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	02-May-2019	20-May-2019
CHB FIB 06c	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	02-May-2019	20-May-2019

CHB FIB 06d	External professional advice sought where required.	Investment consultants provide focused training session as and when required.	Kate Limna, James Graham	02-May- 2019	20-May- 2019
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Committee:	Date:
Financial Investment Board	20 May 2019
Subject: Decisions taken under Delegated Authority or Urgency since the last meeting of the Committee	Public
Report of: Town Clerk	For Information
Report author: Joseph Anstee, Town Clerk's Department	

Summary

This report advises Members of actions taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Order Nos. 41(a) and 41(b). These actions related to:

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20 – AMENDMENT

Recommendation

Members are asked to note the report.

Main report

1. At the Financial Investment Board on 12 February, Members reviewed and approved the Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20. Whilst it was agreed that this document be submitted to the Finance Committee and the Court of Common Council as part of the City Fund – 2019 Budget Report for formal adoption, Members asked officers to consider increasing the maximum lending limits for the foreign banks who are on the City's approved counterparty list for 2019/20.
2. In addition, Members delegated authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to agree any changes to these limits.
3. Following consideration of the lending limits, the Chamberlain submitted a report for decision under Standing Order 41(b). The report considered the appropriateness of increasing the maximum lending limit for foreign banks who are on the City's list of approved counterparties for 2019/20, as set out in paragraph 4 of this report. If the changes were approved, the Treasury Management Strategy Statement and Annual Investment Strategy 2019/20 would be amended ahead of their submission to the Court of Common Council at its meeting on 7 March 2019.
4. The City can change the upper limit on total exposure to any single foreign banking group or it can retain the existing limit. Officers proposed that the limits for the foreign banks listed on the list of approved counterparties (Appendix 5 of

the TMSS) are amended to £100m per group (as shown in Table 1 below), to be consistent with the approved limits for UK financial institutions.

TABLE 1: FOREIGN BANKS
(with a presence in London)

FITCH RATINGS		COUNTRY AND BANK	LIMIT PER GROUP	DURATION
AA-	F1+	<u>AUSTRALIA</u> AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	£100M	Up to 3 years
	F1+	NATIONAL AUSTRALIA BANK LTD	£100M	Up to 3 years
AA	F1+	<u>SWEDEN</u> SVENSKA HANDELSBANKEN	£100M	Up to 3 years

- The report recommended an increase from the current level of £25m per group to £100m per group for the foreign banks who are on the approved counterparty list for 2019/20, which is commensurate with the City's limits for UK-domiciled banks. Officers judged that the proposed amendment would not impair the overall quality of the creditworthiness policy and is likely to enhance it through the security benefits of diversification.

Action Taken

The Town Clerk, in consultation with the Chairman and Deputy Chairman, agreed that the maximum monetary limit for foreign banks as set out in the attached report be extended from £25m to £100m per institution/group.

Contact:

Joseph Anstee
Committee and Services Officer, Town Clerk's Department
020 7332 1480

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of the Local Government Act 1972.

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