



Financial Investment Board

Date: FRIDAY, 29 NOVEMBER 2019
Time: 1.45 pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Simon Duckworth
Alderman Robert Howard
Alderman Robert Hughes-Penney
Deputy Jamie Ingham Clark
Deputy Clare James
Tim Levene
Andrien Meyers
Deputy Henry Pollard
James de Sausmarez
Ian Seaton
Deputy Philip Woodhouse

Next Meetings: 11 February 2020 3 June 2020 13 July 2020

Enquiries: Joseph Anstee
tel. no.: 020 7332 1480
joseph.anstee@cityoflondon.gov.uk

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 17 September 2019.

For Decision
(Pages 1 - 4)

4. MONTHLY INVESTMENT ANALYSIS REVIEW

Report of the Chamberlain

For Information
(Pages 5 - 20)

5. MID-YEAR TREASURY MANAGEMENT REVIEW 2019/20

Report of the Chamberlain

For Information
(Pages 21 - 26)

6. RISK REGISTER FOR FINANCIAL INVESTMENT BOARD

Report of the Chamberlain

For Decision
(Pages 27 - 42)

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 17 September 2019.

For Decision
(Pages 43 - 48)

11. NON-PUBLIC OUTSTANDING ACTIONS

Report of the Town Clerk

For Information
(Pages 49 - 50)

12. INVESTMENT MONITORING REPORTS

- a) **Performance Monitoring to 30 September: Pension Fund**
Report of the Chamberlain

For Information
(Pages 51 - 66)

- b) **Performance Monitoring to 30 September: City's Cash and Bridge House Estates**
Report of the Chamberlain

For Information
(Pages 67 - 88)

- c) **Quarterly Monitoring Report**
Report of Mercer

For Information
(Pages 89 - 104)

13. INFRASTRUCTURE INVESTMENT - CITY'S CASH

Report of the Chamberlain

For Decision
(Pages 105 - 106)

14. PRIVATE EQUITY PORTFOLIO REVIEW

Report of the Chamberlain

For Decision
(Pages 107 - 118)

15. INVESTMENT CONSULTANT STRATEGIC OBJECTIVES (LGPS ONLY)

Report of the Chamberlain

For Decision
(Pages 119 - 126)

16. a) **Responsible Investment Update - Follow Up to Stewardship Assessment**
Report of the Chamberlain

For Decision
(Pages 127 - 140)

- b) **Responsible Investment Update**
Report of the Chamberlain

For Information
(Pages 141 - 156)

17. **SIR WILLIAM COXEN TRUST - REVIEW OF INVESTMENTS**
Report of the Chamberlain

For Decision
(Pages 157 - 162)

18. **FINANCIAL FORECAST AND POTENTIAL ASSET DISPOSAL**
Report of the Chamberlain

For Information
(Pages 163 - 172)

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

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

FINANCIAL INVESTMENT BOARD

Tuesday, 17 September 2019

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

Present

Members:

Nicholas Bensted-Smith (Chairman)	Tim Levene
Henry Colthurst (Deputy Chairman)	Andrien Meyers
Alderman Robert Howard	James de Sausmarez
Alderman Robert Hughes-Penney	Deputy Philip Woodhouse
Deputy Clare James	

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 Deputy Jamie Ingham Clark, Deputy Henry Pollard and Ian Seaton.

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

The Deputy Chairman declared a standing interest by virtue of his membership on the Hackney Pensions Committee, having previously been a member of the Hackney Pensions Board.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the public minutes and non-public summary of the meeting held on 3 July 2019 be agreed as a correct record.

4. MONTHLY INVESTMENT ANALYSIS

The Board received a report of the Chamberlain concerning the monthly investment analysis review for July 2019. The Board noted the current investment list, total investment values and average rate of return set out in the report.

RESOLVED – That the report be noted.

5. END OF YEAR TREASURY MANAGEMENT REVIEW 2018/19

The Board received a report of the Chamberlain, providing an end of year report reviewing Treasury Management in 2018/19. The Chamberlain advised

that the bridging facility of £125 million for City's Cash drawn down in March 2019 had now been repaid.

RESOLVED – That the report be noted.

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

There were no questions.

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

There was no other business.

8. **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
9 - 15	3
16 - 17	-

9. **PRESENTATION - LONDON CIV**

The Board received a presentation from representatives of the London Collective Investment Vehicle (LCIV).

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

RESOLVED - That the non-public minutes of the meeting held on 3 July 2019 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) **Performance Monitoring to 31 July 2019: Pension Fund;**
- b) **Performance Monitoring to 31 July 2019: City's Cash and Bridge House Estates; and**
- c) **Quarterly Monitoring Report Q2 2019**

The Board received reports of the Chamberlain and of Mercer.

13. **PRI ASSESSMENT UPDATE**

The Board received a report of the Chamberlain.

14. **RESOLUTION FROM THE COMMITTEE OF ALDERMEN TO ADMINISTER THE SIR WILLIAM COXEN TRUST FUND**

The Board considered a resolution of the Committee of Aldermen to administer the Sir William Coxen Trust Fund.

15. **NON-PUBLIC REPORT OF ACTION TAKEN**

The Board received a report of the Town Clerk.

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

There were no non-public questions.

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

There were several items of other business.

The meeting closed at 3.02 pm

Chairman

Contact Officer: Joseph Anstee
tel. no.: 020 7332 1480
joseph.anstee@cityoflondon.gov.uk

This page is intentionally left blank

City of London Corporation

Monthly Investment Analysis Review

October 2019

Monthly Economic Summary

General Economy

October's economic data began with the September Markit/CIPS Manufacturing PMI figure rising to 48.3, from 47.4 the previous month. The latest reading pointed to a contraction in the manufacturing sector as output and new orders fell amid ongoing global trade tensions, slower world economic growth and Brexit uncertainty. The Construction PMI, meanwhile, fell by 1.7 points to 43.3. The latest reading remained close to the ten-year low seen in June, as domestic political uncertainty and the economic slowdown continued to weigh on demand. Rounding out the set of activity surveys for September, the Services PMI fell to 49.5 from August's figure of 50.6, leaving the Composite figure at 49.3, a decrease from 50.2 in August indicating a contraction in the UK's economy last month.

The UK posted a trade deficit of £1.55 billion in August compared to a revised £1.68 billion deficit in the prior month. Imports rose 0.6% while exports grew at a 0.9% rate. Meanwhile, GDP data showed that the UK economy expanded slightly in the three months to August at 0.3%, improving on the 0.1% figure in the three months to July. Year-on-year GDP growth eased to 1.1% in August, from 1.3% in the previous month.

The UK's unemployment rate edged up to 3.9% in the three months to August, slightly higher than the figure in July of 3.8%. Unemployment rose by 22,000 to 1.3 million and employment fell the most in over four years by 56,000 to 32.7 million. Average earnings excluding bonuses rose by 3.8% in the three months to August, after an upwardly revised 3.9% increase in the previous period, which slightly exceeded market expectations of 3.7%.

On an annual basis, CPI inflation remained at 1.7% y/y in September, slightly below market expectations of 1.8% and the Bank of England's 2% target. This was the lowest inflation rate since December 2016, amid a slowdown in cost of transport, as fuel prices dropped the most since August 2016. The Core CPI figure (which strips out the more volatile components), increased to 1.7% in September from August's 1.5%, which was the lowest rate recorded since November 2016.

As expected, no growth was recorded in retail sales during September, following an upwardly revised 0.3% fall in August and matched market expectations. Most significantly, sales dropped for fuel (-2%) and non-store retailing (-1.6%), whilst sales of household goods (2%), textile, clothing & footwear (1%) and food (0.6%) all rose. Year-on-year retail sales growth increased to 3.1% in September, up from 2.6% in August.

The number of mortgages approved for house purchases in the UK rose to 65,919 in September, from a revised figure of 65,681 in August and above market expectations of 65,000. In addition, the number of approved loans secured on dwellings for remortgaging rose to 49,268 from 48,656 in August, while the number of loans for other purposes declined to 14,318 from 14,623. Net mortgage lending rose marginally to £3.85 billion in September from August's £3.7 billion.

The Confederation of British Industry's monthly retail sales balance rose 6 points from a month earlier to -10 in October, beating market expectations of -20. However, the latest reading pointed to the sixth consecutive month of decline in retail sales volume, the longest since the financial crisis amid ongoing digital disruption, layered on top of cost pressures from a weak pound. The GfK Consumer Confidence index fell by 2 points from -12 in September to -14 in October, compared to the market forecast of -13, as all five sub-indices recorded declines as Brexit uncertainty continued to weigh on sentiment.

In the US, nonfarm payrolls increased by an upwardly revised figure of 136,000 in September, following an upwardly revised increase of 168,000 in August, which was less than the 145,000 expected by the market. Notable job gains were recorded in healthcare, social assistance and financial activities. US average hourly earnings for all employees showed no change in month on month terms and were up just 2.9% y/y, the lowest increase since July 2018. The unemployment rate fell to 3.5% in September from 3.7% in August, matching a level it last saw in December 1969.

US CPI was unchanged at 1.7% y/y in September, marginally below consensus forecasts of a 1.8% y/y rise, as a pickup in food inflation was offset by a further decline in energy prices. Excluding the more volatile items, such as food and energy prices, core inflation remained at 2.4% y/y in September, unchanged from the previous month and in line with market expectations. According to the advance estimate the US economy grew at a 1.9% annualised rate in the third quarter, down from the 2% expansion recorded in the second quarter.

The Euro Area unemployment rate remained at 7.5% in September, slightly above market expectations of 7.4%. Still, this is the lowest rate recorded since July 2008. The number of unemployed persons in the Euro Area increased to 12.241 million in September from 12.207 million in August. Across the European Union as a whole, the unemployment rate was unchanged at 6.3% in September, where it has remained for the last five months.

Housing

Nationwide reported that house prices rose by 0.4% y/y in October, up from the 0.2% gain recorded in September. In monthly terms, house prices rose 0.2% in October, reversing the 0.2% decline recorded in September. According to Halifax, house prices rose 1.1% y/y in the three months to September. On the month, house prices declined by 0.4%.

Currency

Over the month of October, the pound moved significantly against the dollar, increasing from \$1.227 to \$1.296. Likewise against the Euro, the pound started the month at €1.124 and increased up to €1.162. The pound's gains during the month were largely attributable to the UK and EU agreeing a new Withdrawal Agreement, which was perceived as reducing the likelihood of the UK leaving the EU without a deal in place.

Forecast

The EU granted the UK a further extension to Article 50 until the end of January while a general election will be held on 12th December. Assuming that a trade deal is reached with the EU next year, we continue to expect a modest interest rate rise. Capital Economics expect an interest rate cut in Q2 2020 amidst a delay to Brexit.

Bank Rate							
	Now	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%
Capital Economics	0.75%	0.75%	0.75%	0.50%	0.50%	0.50%	-

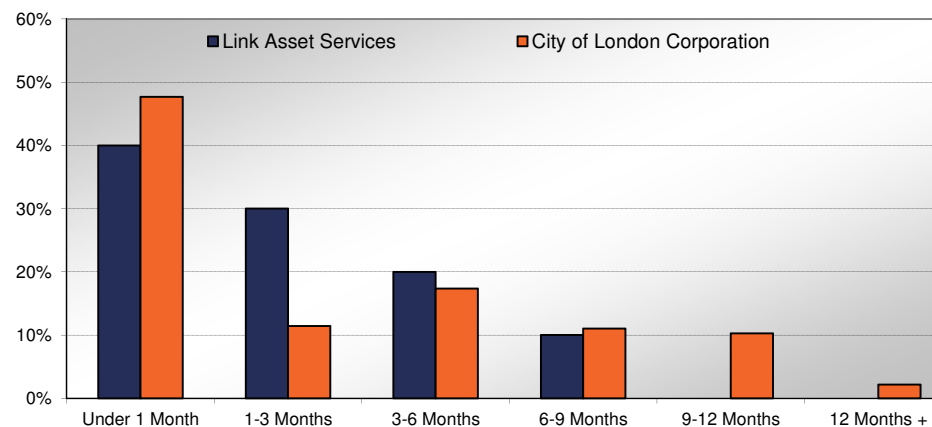
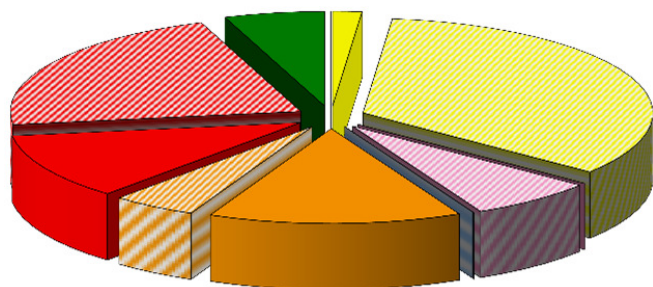
City of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Fitch Long Term Rating	Lowest Long Term Rating	Historic Risk of Default
Lloyds Bank Plc (RFB)	20,900,000	0.65%		Call	A+	A+	0.000%
USDBF Payden Sterling Reserve Fund	55,000,000	1.17%		USDBF	AAA	AAA	0.000%
USDBF Aberdeen Standard Investments	5,000,000	0.78%		USDBF	AAA	AAA	0.000%
USDBF Federated Sterling Cash Plus Fund	5,000,000	0.86%		USDBF	AAA	AAA	0.000%
MMF CCLA	10,000,000	0.71%		MMF	AAA	AAA	0.000%
MMF Aberdeen Standard Investments	85,800,000	0.73%		MMF	AAA	AAA	0.000%
MMF Deutsche	58,200,000	0.71%		MMF	AAA	AAA	0.000%
MMF Federated Investors (UK)	71,100,000	0.77%		MMF	AAA	AAA	0.000%
MMF Invesco	89,900,000	0.74%		MMF	AAA	AAA	0.000%
Lloyds Bank Plc (RFB)	20,000,000	1.00%	08/05/2019	08/11/2019	A+	A+	0.001%
Lloyds Bank Plc (RFB)	20,000,000	1.00%	21/05/2019	21/11/2019	A+	A+	0.003%
Lloyds Bank Plc (RFB)	22,600,000	0.95%		Call32	A+	A+	0.005%
Lancashire County Council	15,000,000	1.27%	14/05/2018	16/12/2019	AA	AA	0.003%
Australia and New Zealand Banking Group Ltd	9,700,000	0.93%	25/06/2019	23/12/2019	AA-	AA-	0.004%
Australia and New Zealand Banking Group Ltd	15,000,000	1.09%	27/03/2019	27/12/2019	AA-	AA-	0.004%
Australia and New Zealand Banking Group Ltd	11,400,000	1.07%	02/04/2019	02/01/2020	AA-	AA-	0.004%
Yorkshire Building Society	20,000,000	1.15%	26/04/2019	27/01/2020	A-	A-	0.013%
Australia and New Zealand Banking Group Ltd	11,900,000	0.91%	29/07/2019	29/01/2020	AA-	AA-	0.006%
Santander UK Plc	20,000,000	0.90%		Call95	A+	A	0.014%
Nationwide Building Society	25,000,000	0.85%	10/09/2019	10/02/2020	A	A	0.015%
Leeds Building Society	11,600,000	0.81%	14/08/2019	14/02/2020	A-	A-	0.015%
Coventry Building Society	20,000,000	1.00%	16/05/2019	17/02/2020	A-	A-	0.016%
Nationwide Building Society	9,000,000	0.75%	20/08/2019	20/02/2020	A	A	0.016%
Nationwide Building Society	25,000,000	0.88%	10/09/2019	10/03/2020	A	A	0.019%
Skipton Building Society	20,000,000	0.95%	25/07/2019	27/04/2020	A-	BBB+	0.075%
Santander UK Plc	30,000,000	1.00%		Call180	A+	A	0.026%
Goldman Sachs International Bank	20,000,000	1.00%		Call185	A	A	0.027%
Goldman Sachs International Bank	20,000,000	0.99%		Call185	A	A	0.027%
Goldman Sachs International Bank	20,000,000	0.98%		Call185	A	A	0.027%
Lloyds Bank Plc (RFB)	10,000,000	1.25%	12/06/2019	20/05/2020	A+	A+	0.029%
Goldman Sachs International Bank	20,000,000	1.09%		Call270	A	A	0.039%
Australia and New Zealand Banking Group Ltd	12,000,000	1.02%	29/07/2019	29/07/2020	AA-	AA-	0.018%
Lloyds Bank Plc (RFB)	20,000,000	1.10%	06/08/2019	06/08/2020	A+	A+	0.040%
Barclays Bank Plc (NRFB)	25,000,000	1.01%	29/10/2019	29/10/2020	A+	A	0.053%
Santander UK Plc	50,000,000	1.15%		Call365	A+	A	0.053%
Goldman Sachs International Bank	20,000,000	1.32%		Call370	A	A	0.054%
Borrower - Funds							
L&G UTM CLIENT ACC (UTM)	75,000,000	4.14%					
ROYAL LONDON UT MGRS LTD DEALING A/C	75,000,000	3.62%					
Total Investments	£1,074,100,000	1.34%					
Total Investments - excluding Funds	£924,100,000	0.92%					0.015%
Total Investments - Funds Only	£150,000,000	3.88%					

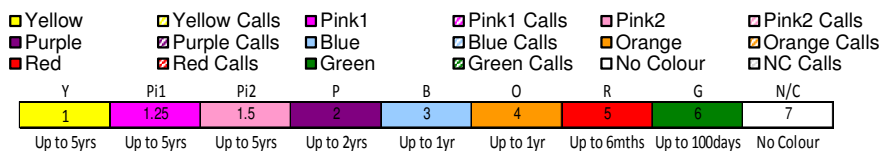
City of London Corporation

Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **3.19**

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

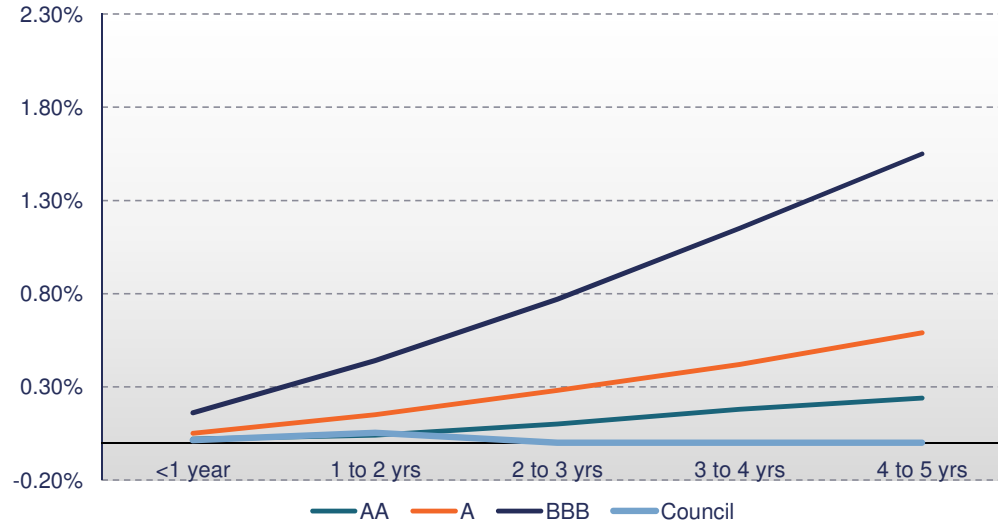


		WAM = Weighted Average Time to Maturity									
		% of Colour			% of Call		Excluding Calls/MMFs/USDBFs				
		% of Portfolio	Amount	in Calls	Amount of Colour in Calls	in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
	Yellow	35.71%	£330,000,000	95.45%	£315,000,000	34.09%	0.76%	2	26	46	581
	Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	Pink2	7.03%	£65,000,000	100.00%	£65,000,000	7.03%	1.12%	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	18.78%	£173,500,000	25.07%	£43,500,000	4.71%	0.98%	88	198	112	259
	Red	32.90%	£304,000,000	65.79%	£200,000,000	21.64%	1.01%	222	244	174	238
	Green	5.58%	£51,600,000	0.00%	£0	0.00%	1.00%	127	256	127	256
	No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
		100.00%	£924,100,000	67.47%	£623,500,000	67.47%	0.92%	98	141	133	267

City of London Corporation

Investment Risk and Rating Exposure

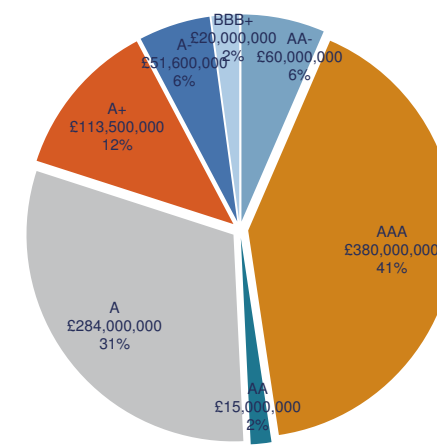
Investment Risk Vs. Rating Categories



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%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.014%	0.054%	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
07/10/2019	1698	Commerzbank AG	Germany	The Outlook on the Long Term Rating of Commerzbank AG was changed to Negative from Stable.
28/10/2019	1701	ABN AMRO Bank N.V	Netherlands	The Outlook on the Long Term Rating of ABN AMRO Bank N.V was changed to Negative from Stable.
28/10/2019	1701	Cooperatieve Rabobank U.A.	Netherlands	The Outlook on the Long Term Rating of Cooperatieve Rabobank U.A. was changed to Negative from Stable.

City of London Corporation

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
24/10/2019	1700	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	Germany	The Outlook on the Long Term Rating of DZ BANK AG Deutsche Zentral-Genossenschaftsbank was changed to Negative from Stable.

City of London Corporation

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
23/10/2019	1699	Danske A/S	Denmark	The Outlook on the Long Term Rating of Danske A/S was changed to Stable from Negative.

Whilst Link Asset Services makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Link Asset Services should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the advice or information as a substitute for the exercise by the Client of its own judgement.

Link Asset Services is a trading name of Link Treasury Services Limited (registered in England and Wales No. 2652033). Link Treasury Services Limited is authorised and regulated by the Financial Conduct Authority only for conducting advisory and arranging activities in the UK as part of its Treasury Management Service, FCA register number 150403. Registered office: 6th Floor, 65 Gresham Street, London, EC2V 7NQ. For further information, visit www.linkassetsservices.com/legal-regulatory-status.

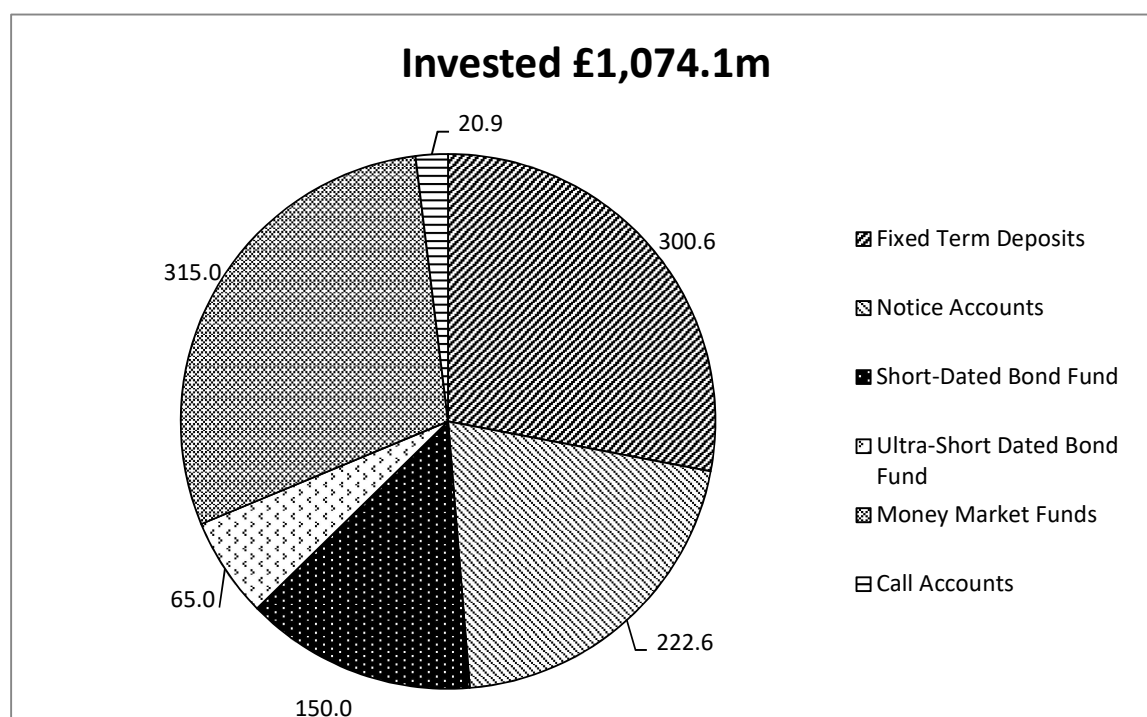
MONTHLY INVESTMENT REVIEW AS AT 31 OCTOBER 2019

	Counterparty Limit	Total Invested as at 31-Oct-19	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>1,074.1</u>	<u>1.34%</u>
<u>UK BANKS</u>			
Barclays	100.0	25.0	1.01%
HSBC	100.0	-	-
Lloyds	150.0	70.0	1.06%
NatWest	100.0	-	-
		<u>95.0</u>	
<u>BUILDING SOCIETIES</u>			
Coventry	20.0	20.0	1.00%
Leeds	20.0	11.6	0.81%
Nationwide	120.0	59.0	0.85%
Skipton	20.0	20.0	0.95%
Yorkshire	20.0	20.0	1.15%
		<u>130.6</u>	
<u>FOREIGN BANKS</u>			
Australia & New Zealand	100.0	60.0	1.01%
National Australia Bank	100.0	-	-
Svenska Handelsbanken	100.0	-	-
		<u>60.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen SLI Liquidity Fund	100.0	85.8	0.73%
CCLA - Public Sector Deposit Fund	100.0	10.0	0.71%
Deutsche Global Liquidity Fund	100.0	58.2	0.71%
Federated Prime Liquidity Fund*	100.0	71.1	0.77%
Invesco Sterling Liquidity Fund	100.0	89.9	0.74%
		<u>315.0</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	55.0	1.17%
Aberdeen SLI Short Duration Fund*	100.0	5.0	0.78%
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	75.0	4.14%
Royal London	100.0	75.0	3.62%
		<u>150.0</u>	
<u>NOTICE ACCOUNTS</u>			
Goldman Sachs 185 Days Account	100.0	20.0	0.98%
Goldman Sachs 185 Days Account	100.0	20.0	0.99%
Goldman Sachs 185 Days Account	100.0	20.0	1.00%
Goldman Sachs 270 Days Account	100.0	20.0	1.09%
Goldman Sachs 370 Days Account	100.0	20.0	1.32%
Lloyds 32 Days Account	150.0	22.6	0.95%
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>222.6</u>	
<u>CALL ACCOUNTS</u>			
Lloyds Instant Access	150.0	20.9	0.65%
		<u>20.9</u>	
<u>PUBLIC SECTOR</u>			
Lancashire CC	25.0	15.0	1.27%
		<u>15.0</u>	
<u>TOTAL</u>		<u>1,074.1</u>	

This page is intentionally left blank

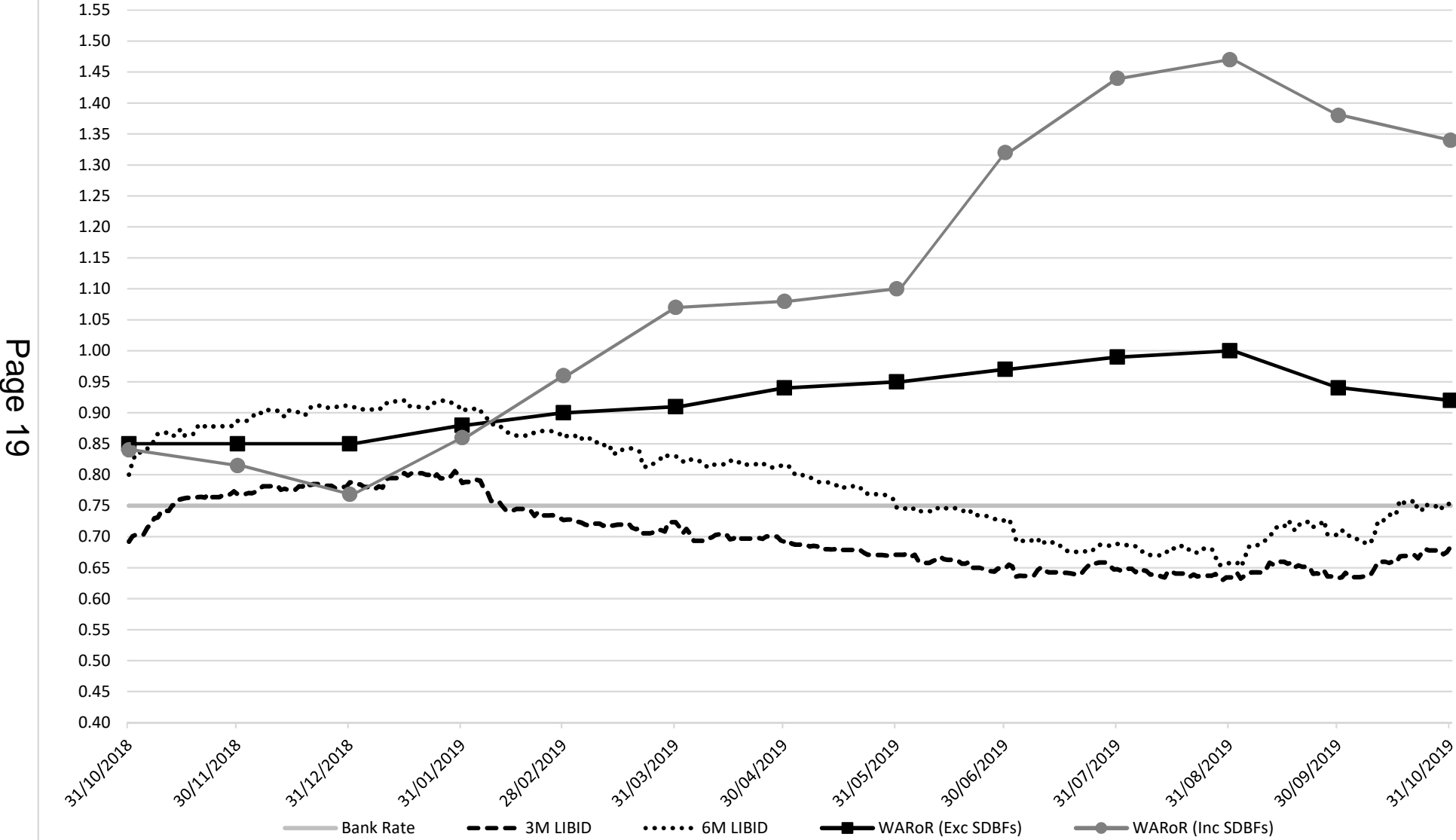
MONTH BY MONTH REPAYMENT PROFILE

	Invested as at 31-Oct-19 £M	Average Rate of Return %
Total	1,074.1	1.34%
Fixed Term Deposits		
November 2019	40.0	
December 2019	39.7	
January 2020	43.3	
February 2020	56.6	
March 2020	34.0	
April 2020	20.0	
May 2020	10.0	
July 2020	12.0	
August 2020	20.0	
October 2020	25.0	
	300.6	1.09%
Money Market Funds	315.0	0.73%
Ultra-Short Dated Bond Fund	65.0	1.14%
Short-Dated Bond Fund	150.0	3.88%
Notice Accounts		
- Goldman Sachs 185 Days	60.0	
- Goldman Sachs 270 Days	20.0	
- Goldman Sachs 370 Days	20.0	
- Santander 95 Days	20.0	
- Santander 180 Days	30.0	
- Santander 365 Days	50.0	
- Lloyds 32 Days	22.6	
	222.6	1.02%
Call Accounts		
- Lloyds Same Day Access	20.9	0.65%
	773.5	



This page is intentionally left blank

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



This page is intentionally left blank

Committee:	Date:
Financial Investment Board Audit and Risk Management Committee	29 November 2019 28 January 2020
Subject:	Public
Mid-Year Treasury Management Review 2019/20	
Report of:	For Information
The Chamberlain	
Report author:	
James Graham – Chamberlain’s Dept.	

Summary

The Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 was approved by the Financial Investment Board and the Finance Committee in February 2019 and by the Court of Common Council on 7 March 2019 and came into effect on 1 April 2019.

Under CIPFA’s Code of Practice on Treasury Management, which was adopted by the Court of Common Council on 3 March 2010, there is a requirement to provide a mid-year review. The main points to note are as follows:

- As at 30 September 2019, the City had cash balances totalling £1,049.7m. Most of the balances are held for payment to third parties or are restricted reserves.
- No approved counterparty limits were breached during the first half of 2019/20 and the City has experienced no liquidity concerns.
- An additional £50m has been invested in the two short dated bond funds bringing the total investment in these vehicles to £150m.
- Long term market debt has been put in place on behalf of City’s Cash to support that entity’s capital expenditure plans.
- No external borrowing has been entered into by City Fund and it is not anticipated that City Fund will require any external borrowing during the remainder of the financial year.

Recommendation

Members are asked to note the report.

Main Report

Introduction

1. The City of London Corporation (the City) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.
2. The second main function of the treasury management service is the funding of capital expenditure plans. During the first half of the year, the City concluded arrangements to put in place external borrowing on behalf of City's Cash, which will support that entity's long term capital financing plans. The City does not at this stage anticipate any external borrowing in the remainder of 2019/20 in respect of the City Fund.
3. The City's treasury management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) which was adopted by the Court of Common Council on 3 March 2010.
4. The City defines its treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Treasury Management Strategy Statement and Annual Investment Strategy Update

5. The Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 was approved by the Financial Investment Board (12 February 2019), the Finance Committee (19 February 2019) and the Court of Common Council (7 March 2019).
6. There are no recommended policy changes to the Treasury Management Strategy.

Investment Portfolio

7. It is the City's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with its risk appetite. The pace of increases to the Bank of England's base rate remains the key determinant driving returns in the UK sterling money markets. The Bank's Monetary Policy Committee has left base rates unchanged at 0.75% for the first six months of the year. Interest rates remain at historic lows compared to the previous decade and this situation continues to depress the City's investment income.

8. The City held £1,049.7m of investments as at 30 September 2019 (£865.9m at 31 March 2019). Most of the balances are held for payment to third parties or are restricted reserves. The City has also taken receipt of borrowing proceeds during first half of the year (see below). The average rate of return on the City's treasury management portfolio at the end of September was 1.38%.
9. No approved counterparty limits were breached during the first half of 2019/20 and the City has experienced no liquidity concerns. The Treasury Management Strategy remains appropriate in enabling the City to pursue its prime objectives of security and liquidity, followed by yield.
10. The treasury portfolio includes investments in two short dated bond funds managed by Legal and General and Royal London Asset Management, respectively. At its meeting of 20 May 2019, the Financial Investment Board agreed to increase the investments from £50m each to £75m each (i.e. £150m in combination). Officers implemented this instruction on 5 June 2019.

Borrowing Strategy

City Fund

11. The City Fund has not acquired any external borrowing in the first half of the year and it is not anticipated that any external borrowing will be required in the remainder of 2019/20.
12. Historically, the principal source of external borrowing for UK local authorities has been the Public Works Loan Board, an agency of HM Treasury. The PWLB provides variable and fixed rate loans to qualifying authorities at a margin above Gilt rates. On 9 October, the PWLB increased the 80bps margin on Gilt rates that local authorities pay by 100bps with immediate effect (i.e. to Gilts plus 180bps). This is the "Certainty Rate", available to qualifying local authorities, including the City of London. HM Treasury has stated that this action has been taken to restore the borrowing rates to the levels available in 2018 (when Gilt rates were higher). Whilst this will have no immediate impact on the City's borrowing costs, it will inevitably make any future external borrowing via the PWLB more expensive. In time, the change may increase the diversity of borrowing sources available to local authorities.

City's Cash

13. The Treasury Management Strategy Statement 2019/20 stated that City's Cash expenditure plans created a borrowing requirement of £125.0m in 2018/19 rising to an estimated £428.4m in 2021/22. The City concluded arrangements for £450m new fixed rate market debt in July 2019 which eliminated a significant amount of interest rate risk exposure surrounding this borrowing requirement.
14. The first £250m tranche of borrowing proceeds of £250m were received on 11 September 2019. Half of this sum was immediately used to repay £125m short term borrowing on 16 September 2019 that had been secured in March 2019 to

support the City's Cash capital programme whilst longer term debt was being arranged.

15. The remaining £200m of borrowing proceeds will be received in July 2021 and will be used to support the planned increase in capital expenditure arising over the course of the next few years. By deferring receipt of this borrowing until 2021, the City has avoided paying additional interest costs whilst at the same time securing fixed rate borrowing on competitive terms. Likewise, by arranging both tranches of borrowing (the initial £250m and the deferred £200m) at once, the City has avoided the administrative and financial burden of running a second private placement process in 2021.

Economic Review

16. UK economic growth has been relatively volatile so far in 2019. The domestic economy expanded by 0.5% in Q1 2019 (in part due to companies increasing inventories ahead of the original Brexit date in March) but contracted by -0.2% in Q2 before making a modest rebound (0.3%) in Q3. Uncertainty has continued to weigh on business investments, although consumer spending has been resilient, supported by real increases in household income. The outlook for the global economy has softened over the first six months of the 2019-20 with the IMF's World Economic Outlook for October highlighting a global manufacturing downturn and rising trade barriers as salient factors. The IMF has downgraded its forecast for global growth from 3.3% to 3.0% for 2019, its lowest level since 2008-09.
17. The Bank of England's Monetary Policy Committee (MPC) met on 6 November and agreed to maintain Bank Rate at 0.75% by a vote of 7 – 2. The Bank of England's November Monetary Policy Report noted that, looking through the volatility, UK growth had slowed in 2019 and that this was in part due to a global slowdown reducing demand for UK goods and services abroad. The Bank's economic outlook projects UK growth to be around 1.25% in both 2019 and 2020, 1.75% in 2021 and 2.0% in 2022.
18. The Bank also stated that inflation is likely to fall in 2020 before gradually rising to just above the 2% target over the medium term. The UK economy continues to be affected by uncertainty over Brexit, although with the risk of a "no-deal" Brexit falling recently, the MPC expects uncertainty to dissipate somewhat. If this happens and if global growth recovers, as the Bank expects, the MPC may bring about a modest increase in interest rates to prevent prices from rising too quickly. However, if uncertainty and a synchronised global slowdown persist, the Bank could lower interest rates to support UK growth and return inflation to target.
19. Following the Bank of England's meeting in November, the City's treasury management advisors, Link, have revised their forecasts for UK interest rates and now expect the Bank of England to increase Bank Rate to 1.00% in Q1 2021, and to 1.25% in Q2 2021. Link contend that the Bank is unlikely to tighten monetary policy whilst there is still uncertainty around Brexit and that the path of interest rate changes will be heavily contingent upon economic and political developments.

Conclusion

20. The City has effectively executed the 2019/20 Treasury Management Strategy during the first six months of the year. The investment strategy remains appropriate for the second half of the year.

James Graham

Group Accountant – Pensions & Treasury Management

T: 020 7332 1137

E: James.Graham@cityoflondon.gov.uk

This page is intentionally left blank

Committee:	Date:
Financial Investment Board	29 November 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. Responsible officers have conducted a preliminary review of the Risk Register and do not recommend that any changes are made to the risk scores on the Risk Register. The narrative “risk update” and “latest note” on associated actions has been updated where necessary. 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.

The Risk Register is included at Appendix 2 with risk updates highlighted. The Risk Register is reviewed semi-annually by the Financial Investment Board and more frequently by officers, who report any material changes or new risks identified in between reviews on an exceptions basis.

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 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 3 July 2019, is included as Appendix 2.
2. The Financial Investment Board should review the register semi-annually. 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.

3. At its meeting on the 3 July 2019, the Board agreed amendments to the Risk Register to ensure it adequately captured risks emanating from asset pooling in the Local Government Pension Scheme, responsible investment, and cybersecurity.

Review of Risks

4. The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy approved by the Audit and Risk Management Committee 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".
5. The Risk Register to be reviewed is set out in Appendix 2. This contains seven risks as summarised below:
 - a. Fund's asset allocation is unable to meet liabilities or expenditure requirements – overall risk score of amber (8)
 - b. Fund managers fail to achieve the targeted investment returns – overall risk score of amber (8)
 - c. Service provision withdrawal or liquidation of partner organisations –overall risk score of green (4)
 - d. External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to – overall risk score of green (4)
 - e. Inaccurate cash flow modelling for Corporation as a whole – overall risk score of green (4)
 - f. Lack of understanding of the regulatory requirements or inadequate oversight of operations and developments at the London CIV lead to regulatory fines or financial damage – overall risk score of green (2)
 - g. Failure to deliver responsible investment leads to reputational or financial damage – overall risk score of green (4)

Update on risks

6. 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 July 2019. 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 03, CHB FIB 05, CHB FIB 06 and CHB FIB 07.
7. Risks 1 and 2 are currently considered to have an "amber" risk score and warrant special attention.
 - a. Risk 1: Financial markets have generally rallied thus far in 2019 following heightened volatility at the end of 2018. Although this has resulted in an increase in the valuations of the City's three funds over the course of the year, the City is a long-term investor and has a greater concern for the

performance of the Funds over the multi-year time horizon. As at 30 September 2019, the three funds are outperforming their absolute return targets over all time periods assessed (three months, one year, three years and five years).

- 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 in July, officers and Members have met with Harris, Veritas and C Worldwide and are expected to meet with Artemis and Lindsell Train on 28 November 2019.
8. 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.
 9. 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.

Conclusion

10. 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

James Graham

Group Accountant – Pensions & Treasury Management
Chamberlains Department

T: 020 7332 1137

E: james.graham@cityoflondon.gov.uk

This page is intentionally left blank

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

This page is intentionally left blank

CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: James Graham

Generated on: 11 November 2019



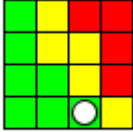
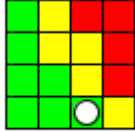

Rows are sorted by Risk Score

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
P Page 33 CHB FIB 01 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: Reduced income or lower than anticipated growth which could impact on the Corporation's medium-term financial plans. 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. As at 30 September 2019, all Funds are outperforming their absolute return targets over one, three and five years. 11 November 2019	Likelihood Impact	8	29-November-2019	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due 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. 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. This work has now commenced and is expected to be completed in the new year.	Caroline Al-Beyerty; Kate Limna	11-November-2019	29-November-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;	20-June-2019	29-November-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	6	The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board. Two underperforming managers were replaced in 2018. 11 November 2019	 Likelihood	6	29-November-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	20-June-2019	29-November-2019

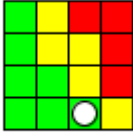
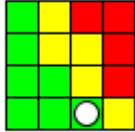

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 03 Service provider failure Pension Fund, City's Cash and Bridge House Estates 08-Mar-2018 Peter Kane	Cause: Corporate, financial, economic or cybersecurity 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 write to all counterparties requesting latest internal control report from fund managers and custodian ahead of the closure of accounts. 20 June 2019	 Likelihood Impact	4	29-November-2019	 Constant

Page 56



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	20 June-2019	29-November-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	20-June-2019	29-November-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. In October, officers spoke with two appointed UK equity managers following reports in the media that UK equity funds had been experiencing significant outflows in 2019. Both managers provided assurance that they continue to maintain an adequate liquidity profile.		Kate Limna, James Graham	11-November-2019	29-November-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, including cybersecurity incidents, 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 7th March 2019. 20-June-2019	 Likelihood	4	29-November-2019	 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	20-June-2019	29-November-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 7 th March 2019.		Kate Limna, James Graham	20-June-2019	29-November-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	20-June-2019	29-November-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 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. 20 June 2019	Likelihood  Impact	4	29-November-2019	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
Page 38 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 historic cash flow profiles and estimations for the timing and value of future payments and receipts.	Kate Limna, James Graham	11-November-2019	29-November-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	<p>Cause: Lack of understanding of the applicable statutory requirements such as investment regulations, prudential code etc. Inadequate oversight of the operations and developments at the regional pool operator, the London CIV.</p> <p>Event: Board members and officers do not have appropriate skills or knowledge to discharge their responsibilities. Regulatory breach. The Pension Fund's pooled assets are managed inappropriately.</p> <p>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. The financial value of the Pension Fund's assets is impaired.</p>	 <p>Likelihood</p> <p>Impact</p>	4	<p>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.</p> <p>20 June 2019</p>	 <p>Likelihood</p> <p>Impact</p>	2	29-November-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	20-June-2019	29-November-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	20-June-2019	29-November-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 for all relevant staff are up to date. Appraisals include a review of individual training requirements.			Caroline Al-Beyerty; Kate Limna	11-November-2019	29-November-2019

CHB FIB 06d	External professional advice sought where required.	Investment consultants provide focused training session as and when required.	Kate Limna, James Graham	20-June-2019	29-November-2019
CHB FIB 06e	The Board maintains regular oversight of the London CIV	Senior management of the London CIV met the Financial Investment Board in September 2019. Officers monitor developments at the London CIV and report meaningful developments at each Board meeting via a dedicated section of the Pension Fund Investment Monitoring Report (or in between Board meetings if necessary). Officers participated in an ESG and governance strategy forum hosted by the London CIV in October 2019. The London CIV routinely consults officers on potential new sub-funds and the City responded to two such consultations (regarding a potential sustainable equity fund product and a global value equity fund product) in October 2019. The London CIV is currently reviewing its Responsible Investment approach and a meeting has been arranged with the Chairman and Deputy Chairman of the Financial Investment Board for 21 November 2019 to ensure the City can participate in the process.	Kate Limna, James Graham	11-November-2019	29-November-2019

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 07a	Reporting on responsible investment activities to the Principles for Responsible Investment is completed on an annual basis. The Board receives an annual Transparency Report from the PRI from which it can evaluate progress against responsible investment goals.	The Board received its first Transparency Report from the PRI in September 2019. The reporting tool for the current year will be available from 7 January 2020 and officers are currently planning the submission, which is required by 1 April 2020. The PRI has advised that it is consulting on an overhaul of the reporting system with a view to implementing a new reporting framework in 2021. The Board will be required to publish its Transparency Report from 2021 (under the revised framework).	Kate Limna, James Graham	11-November-2019	29-November-2019
CHB FIB 07b	The Board formally reviews asset stewardship across its investment mandates on an annual basis and uses the exercise encourage better ESG outcomes amongst its existing managers.	The Board received a report on its annual asset stewardship review on 20 May 2019 and agreed various follow-up actions to be undertaken amongst its investment managers. Officers have completed these actions with the relevant managers and are due to report back to the Board on 29 November 2019.	Kate Limna, James Graham	11-November-2019	29-November-2019
CHB FIB 07c	As part of the regular management and monitoring of investment mandates, the Board and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the Board on its monitoring of ESG risks on a quarterly basis.	The Board continues to receive updates from the Investment Consultant on ESG monitoring. Members most recently met with investment managers Harris, Veritas and C Worldwide, where the ESG factors were discussed.	Kate Limna, James Graham	11-November-2019	29-November-2019
CHB FIB 07d	The Financial Reporting Council (FRC) has substantially revised the UK Stewardship Code. The City will review the new Code's requirements and consider how to demonstrate its commitment to the new Code	Organisations wanting to become signatories to the Code will be required to produce an annual Stewardship Report explaining how they have applied the Code in the previous 12 months. The FRC will evaluate these Reports against its assessment framework, and those that meet the reporting expectations will be listed as signatories to the Code. To be included in the first list of signatories, the Board must submit a <i>final</i> report for the prior year to the FRC by 31 March 2021.	Kate Limna, James Graham	11-November-2019	03-June-2020

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank