



Financial Investment Board

Date: WEDNESDAY, 3 JUNE 2020
Time: 1.45 pm
Venue: VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

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: 13 July 2020 23 Sept 2020 25 Nov 2020

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Accessing the virtual public meeting

Members of the public can observe this virtual public meeting at the below link:

<https://youtu.be/MyHuKRM8BRE>

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 11 February 2020.
For Decision
(Pages 1 - 4)
4. **MONTHLY INVESTMENT ANALYSIS REVIEW**
Report of the Chamberlain
For Information
(Pages 5 - 26)
5. **RISK REGISTER FOR FINANCIAL INVESTMENT BOARD**
Report of the Chamberlain
For Decision
(Pages 27 - 46)
6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
8. **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

9. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 11 February 2020.
For Decision
(Pages 47 - 52)
10. **INVESTMENT MONITORING REPORTS**
For Information
 - a) **Performance Monitoring to 31 March 2020: Pension Fund** (Pages 53 - 78)
Report of the Chamberlain

- b) **Performance Monitoring to 31 March 2020: City's Cash and Bridge House Estates** (Pages 79 - 100)
Report of the Chamberlain
- c) **Quarterly Monitoring Report** (Pages 101 - 116)
Report of Mercer

- 11. **CHARITIES POOL: UPDATE**
Report of the Chamberlain

For Decision
(Pages 117 - 118)

- 12. **GREEN FINANCE INITIAL WORKSHOP**
The Chairman to be heard.

- 13. **PENSION FUND INVESTMENT STRATEGY REVIEW WORKSHOP**
Report of Mercer

For Discussion
(Pages 119 - 166)

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

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

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FINANCIAL INVESTMENT BOARD

Tuesday, 11 February 2020

Minutes of the meeting of the Financial Investment Board held at Guildhall, EC2 on
Tuesday, 11 February 2020 at 1.45 pm

Present

Members:

Nicholas Bensted-Smith (Chairman)
Henry Colthurst (Deputy Chairman)
Simon Duckworth
Alderman Robert Hughes-Penney
Deputy Jamie Ingham Clark
Tim Levene
Andrien Meyers
Deputy Henry Pollard

Officers:

Joseph Anstee	- Town Clerk's Department
Peter Kane	- Chamberlain
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 Alderman Robert Howard, Deputy Clare James, James de Sausmarez, Ian Seaton and Deputy Philip Woodhouse.

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

Simon Duckworth declared an interest in Item 9 by virtue of being a Director of the Green Finance Institute.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED - That the public minutes and non-public summary of the meeting held on 29 November 2019 be agreed as a correct record.

4. OUTSTANDING ACTIONS

The Board received a list of outstanding actions.

RESOLVED – That the outstanding actions be noted.

5. MONTHLY INVESTMENT ANALYSIS REVIEW

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

report, and that there was a significant increase in cash balances due to recent borrowing.

RESOLVED – That the report be noted.

6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2020/21

The Board considered a report of the Chamberlain setting out the City's Treasury Management Strategy and Annual Investment Statement (TMSS) for 2020/21. The Board was advised of changes to some figures within the report since the publication of the agenda, with the Chamberlain tabling the revisions for Members' consideration. The Chamberlain then introduced the report and drew Members' attention to the key points, setting out changes to the TMSS from last year.

In response to a question from a Member, the Chamberlain explained how extra financing needs would be met up to 2023 and gave further details on forecasting for the City of London Corporation's capital reserves and how this might impact assets, adding that the position may change over the course of the programme. The Chamberlain further advised that Phase 1 of the Fundamental Review was factored into forecasts, with further work to be done to account for Phase 2. The Board noted that the Investment Committee would be asked to consider a report on asset disposal at its May meeting.

The Board then noted the proposal to increase the overall limit on 'non-specified investments' and maximum principal sums invested for more than one year from £300m to £500m.

Arising from the discussion, the Chairman asked whether Members were content to approve the TMSS, noting the tabled changes since the publication of the agenda, and this was agreed.

RESOLVED – That the Financial Investment Board approves the Treasury Management Strategy Statement and Annual Investment Strategy for 2020/21 and submits it to the Finance Committee and the Court of Common Council as part of the City Fund – 2020 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

The Board considered a resolution of the Local Government Pensions Board, which had met on 4 February 2020, after the publication of the agenda. The resolution requested that an annual summation of investment activity in relation to the Pension Fund be provided to the Local Government Pensions Board to provide assurance. The Chamberlain explained the context of the request and advised that the next meeting of the Local Government Pensions Board was on 5 June 2020, after the next meeting of the Financial Investment Board.

Members agreed that an informative note should be provided for the Local Government Pensions Board, adding that such a note should include information about the Board's experiences with the LCIV (London Collective Investment Vehicle).

RESOLVED – That the resolution be noted, and that the Chamberlain provide a note on the Board's activities to the Local Government Pensions Board on behalf of the Financial Investment Board.

9. **PRESENTATION - GREEN FINANCE INSTITUTE**

The Board received a presentation on the Green Finance Institute (GFI) from the Innovation & Growth team, covering the GFI's development from the co-founding of a Green Finance Initiative in 2016 to the formal launch of the GFI in July 2019, the GFI work programme and its relevance to the City of London Corporation's Corporate Plan, plus its other strategic partnerships and international work.

Following questions from Members, the Board discussed Member involvement with the GFI, engagement with the USA and Asian economies, potential capital allocation and flows in respect of the three coalitions the GFI had established, the green bond market, the 2020 United Nations Climate Change Conference (COP 26), HM Government engagement with the GFI, and social investment.

The Chamberlain then advised the Board on a recent meeting involving Members, officers and external stakeholders on green investment and advised that this would be carried forward. There would need to be a process of familiarisation through a dedicated workshop and this would work best as a standalone session for Members. The Chairman noted that the Financial Investment Board would then need to consider the suitability of any potential 'green' investment strategy within the investment portfolios.

The Board then thanked officers for their presentation and contributions to the meeting.

10. **EXCLUSION OF THE PUBLIC**

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

Item No.	Paragraph(s) in Schedule 12A
11 - 20	3
21 - 22	-

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

RESOLVED - That the non-public minutes of the meeting held on 29 November 2019 be agreed as a correct record.

12. **NON-PUBLIC OUTSTANDING ACTIONS**

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

13. INVESTMENT MONITORING REPORTS

a) Performance Monitoring to 31 December 2019: Pension Fund

The Board received a report of the Chamberlain.

b) Performance Monitoring to 31 December 2019: City's Cash and Bridge House Estates

The Board received a report of the Chamberlain.

c) Quarterly Monitoring Report

The Board received a report of Mercer.

14. STEWARDSHIP REVIEW - UPDATE

The Board considered a report of the Chamberlain.

15. 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.

16. CHARITIES POOL - VERBAL UPDATE

The Board received an oral update on the Charities Pool.

17. REPORT OF ACTION TAKEN

The Board received a report of the Town Clerk.

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

There were no non-public questions.

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

There was other business.

The meeting ended at 3.20 pm

Chairman

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City Of London Corporation

Monthly Investment Analysis Review

April 2020

General Economy

The Flash Manufacturing PMI fell to 32.9 in April from March's Final release of 47.8, pointing to the steepest month of contraction in the sector since the survey began in January 1992 – as output, new orders, exports and employment all fell at a record pace due to the coronavirus pandemic. In a similar vein, the Flash Services PMI tumbled to 12.3 in April from March's Final release of 34.5, with new orders, backlogs of work and employment all declining at record rates as measures to contain the Covid-19 pandemic hurt businesses and activity. As a result, the Flash Composite PMI fell to a record low of 12.9 in April from the previous month's 36.0 - and well below market expectations of 31.4. Although the Construction PMI is released on a different timescale to the main service and manufacturing reports, it too slumped to 39.3 in March from a 14-month high of 52.6 February. It pointed to the steepest contraction in construction output since April 2009, as measures to contain the spread of Covid-19 led to stoppages of work on site and a slump in new orders.

GDP data showed that the UK economy grew by 0.1% in the three months to February, before the full effects of coronavirus took hold, after stagnating in the three months to January - which was slightly below market expectations of a 0.2% expansion. The services sector made the only positive contribution to GDP, advancing by 0.2%. Year-on-year, growth slowed to 0.3% in February from a revised 0.7% y/y in January and below market expectations of a 0.5% expansion. The UK also posted a £2.79 billion trade deficit in February, compared to a downwardly revised £2.41 billion surplus in the previous month. Exports fell 5.8% to a 9-month low and imports rose 3.0%. The UK's unemployment rate edged up to 4.0% in the three months to February from the previous period's 45-year low and slightly above market expectations of 3.9%. The number of people out of work rose by 58,000 to 1.36 million, while the number of employed people rose by 172,000 to a record high of 33.07 million. Average earnings in the three months to February grew by 2.8% from a year earlier, easing from a 3.2% rise in the previous period. Excluding bonuses, average earnings increased by 2.9%, below market forecasts of a 3.0% rise.

Consumer Price Inflation (CPI) fell to 1.5% y/y in March, from 1.7% y/y in the previous month, remaining below the Bank of England's 2% target. In monthly terms, CPI was unchanged during March, after recording a 0.4% rise in February. The core CPI rate (which strips out the more volatile components), rose to 1.6% y/y in March, down from 1.7% y/y in February. Retail sales, meanwhile, plunged 5.1% m/m during March, recording their biggest drop on record as many stores ceased trading from the 23rd of March following official government guidance given in response to the coronavirus pandemic. This outturn was significantly worse than market expectations of a 4% decline. The year-on-year fall in retail sales of 5.8% was also the biggest decline ever. Mirroring the worsening impact of the coronavirus upon activity, the GfK Consumer Confidence index was confirmed to have fallen to -34 in April from -9 in March, registering its biggest fall in more than 45 years. The UK also reported a £2.3 billion budget deficit in March compared to a £1.59 billion surplus in the same month last year, matching market expectations. Excluding public sector-owned banks, borrowing was £3.1 billion, £3.9 billion more than in March 2019, and the highest borrowing in any March since 2016. It is worth noting however that the effects of the Covid-19 pandemic upon government finances have not been fully captured in the March data - and will instead become more apparent in the coming

months.

In the US, non-farm payrolls fell by 701,000 in March as businesses began to cut staff ahead of the implementation of measures designed to slow the spread of the coronavirus that shut down large swathes of the U.S. economy. The fall compared to the creation of 275,000 jobs in February and was well below market expectations of a 100,000 fall. The US unemployment rate jumped to 4.4% in March from 3.5% in February, with the number of unemployed jumping by a staggering 1.35m to 7.14m. It is worth noting however that both of these reports were based on surveys taken in mid-March, before the majority of people were under some form of lockdown, so April's numbers are expected to be far worse. According to the Advance Estimate, the US economy shrank by an annualised 4.8% rate during Q1 - well below the market consensus of 4.0% - ending the longest period of expansion in the country's history. The contraction reflected the impact of the Covid-19 pandemic as several states were forced to impose lockdown measures from mid-March, leaving millions of people out of work. Household consumption fell the most since Q4 of 1980 and business investment contracted for a fourth consecutive quarter. In a similar vein, the Eurozone economy contracted by 3.8% during Q1, undershooting market expectations of a 3.5% contraction. This represented the steepest contraction since comparable records began in 1995 as a coronavirus lockdown from mid-March forced businesses to close and consumers to stay at home. The fall in the Eurozone Composite PMI to an all-time low of 13.5 in April 2020, from 29.7 in March, further suggests that April's GDP data could be even worse. A flash estimate of Eurozone inflation, meanwhile, showed that prices rose 0.4% y/y in April compared to 0.7% y/y in March, as the coronavirus pandemic and an oil price war between Russia and Saudi Arabia dampened prices.

Housing

Although both the Halifax and Nationwide surveys reported that house prices increased by 3.0% y/y in March, neither survey fully reflects the impact of the coronavirus nor subsequent government advice not to enter into housing transactions during this period, which have since seen activity fall.

Currency

Sterling improved slightly against both the Dollar and the Euro over the month, as the safe haven buying of other currencies – especially the US dollar – abated.

February	Start	End	High	Low
GBP/USD	\$1.2401	\$1.2547	\$1.2562	\$1.2270
GBP/EUR	€ 1.13	€ 1.15	€ 1.15	€ 1.13

Forecast

Both LAS and Capital Economics have maintained their interest rate forecasts amid the coronavirus outbreak. The base rate

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City Of London Corporation

Current Investment List

	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
	MMF Aberdeen Standard Investments	46,600,000	0.39%		MMF	AAA	0.000%
	MMF CCLA	10,000,000	0.39%		MMF	AAA	0.000%
	MMF Deutsche	37,200,000	0.37%		MMF	AAA	0.000%
	MMF Federated Investors (UK)	39,300,000	0.37%		MMF	AAA	0.000%
	MMF Invesco	60,500,000	0.43%		MMF	AAA	0.000%
	USDBF Aberdeen Standard Investments	5,000,000	0.55%		USDBF	AAA	0.000%
	USDBF Federated Sterling Cash Plus Fund	5,000,000	0.68%		USDBF	AAA	0.000%
	USDBF Payden Sterling Reserve Fund	55,000,000	0.31%		USDBF	AAA	0.000%
	Lloyds Bank Plc (RFB)	10,000,000	1.25%	12/06/2019	20/05/2020	A+	0.003%
	National Westminster Bank Plc (RFB)	20,000,000	0.88%	15/11/2019	29/05/2020	A	0.004%
	Lloyds Bank Plc (RFB)	22,600,000	0.25%		Call32	A+	0.005%
	Leeds Building Society	8,400,000	0.92%	12/12/2019	12/06/2020	A-	0.006%
	Rushmoor Borough Council	10,000,000	0.90%	18/12/2019	18/06/2020	AA-	0.003%
	Australia and New Zealand Banking Group Ltd	12,000,000	1.02%	29/07/2019	29/07/2020	A+	0.013%
	Santander UK Plc	20,000,000	0.90%		Call95	A	0.014%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	06/08/2019	06/08/2020	A+	0.014%
	London Borough of Haringey	5,000,000	0.95%	14/02/2020	14/08/2020	AA-	0.007%
	Plymouth City Council	10,000,000	0.92%	14/02/2020	14/08/2020	AA-	0.007%
	Australia and New Zealand Banking Group Ltd	10,000,000	0.80%	17/02/2020	17/08/2020	A+	0.016%
	National Westminster Bank Plc (RFB)	10,000,000	0.95%	01/11/2019	28/08/2020	A	0.017%
	Plymouth City Council	10,000,000	0.95%	23/12/2019	23/09/2020	AA-	0.010%
	London Borough of Waltham Forest	5,000,000	0.80%	30/04/2020	30/09/2020	AA-	0.010%
	Goldman Sachs International Bank	20,000,000	1.04%	02/01/2020	02/10/2020	A	0.022%
	National Westminster Bank Plc (RFB)	20,000,000	0.93%	06/01/2020	06/10/2020	A	0.023%
	Santander UK Plc	30,000,000	1.00%		Call180	A	0.026%
	Fife Council	6,000,000	0.95%	29/01/2020	29/10/2020	AA-	0.012%
	Barclays Bank Plc (NRFB)	25,000,000	1.01%	29/10/2019	29/10/2020	A	0.026%
	London Borough of Waltham Forest	5,000,000	0.85%	30/04/2020	30/10/2020	AA-	0.012%
	Australia and New Zealand Banking Group Ltd	20,000,000	0.40%		Call185	A+	0.027%
	Goldman Sachs International Bank	20,000,000	1.00%		Call185	A	0.027%
	Goldman Sachs International Bank	20,000,000	0.99%		Call185	A	0.027%
	Goldman Sachs International Bank	20,000,000	1.00%		Call185	A	0.027%
	Lloyds Bank Plc (RFB)	10,000,000	1.10%	01/11/2019	02/11/2020	A+	0.027%
	Lloyds Bank Plc (RFB)	15,900,000	1.10%	04/11/2019	04/11/2020	A+	0.027%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	06/11/2019	06/11/2020	A+	0.027%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	27/11/2019	27/11/2020	A+	0.030%
	Lloyds Bank Plc (RFB)	20,000,000	1.10%	27/12/2019	29/12/2020	A+	0.035%
	Lloyds Bank Plc (RFB)	10,000,000	1.10%	02/01/2020	04/01/2021	A+	0.036%
	Australia and New Zealand Banking Group Ltd	10,000,000	0.98%	06/01/2020	06/01/2021	A+	0.036%
	Goldman Sachs International Bank	20,000,000	1.09%		Call270	A	0.039%

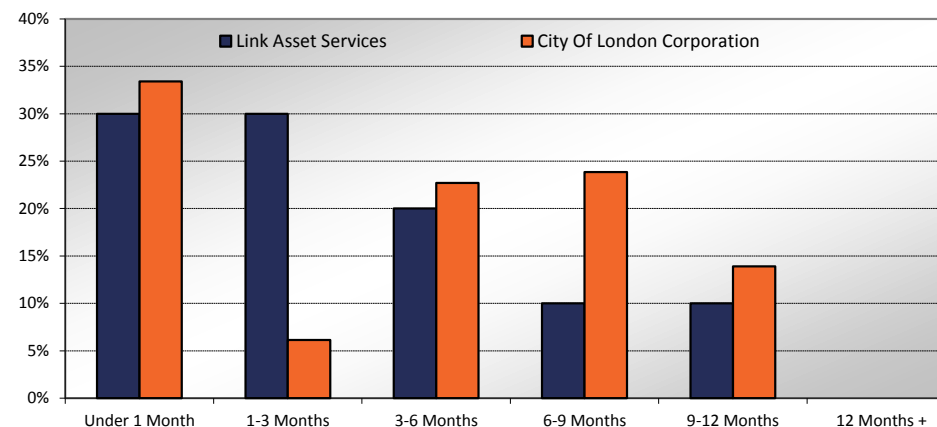
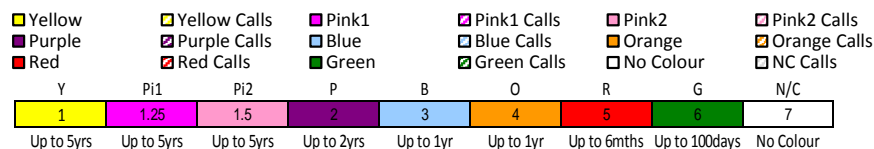
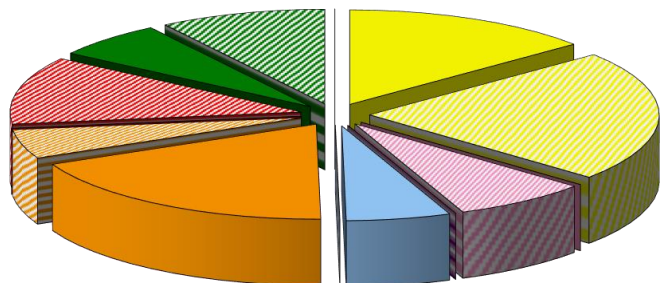
City Of London Corporation

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Northumberland County Council	5,000,000	1.00%	27/02/2020	25/02/2021	AA-	0.020%
Birmingham City Council	15,000,000	1.20%	28/02/2020	26/02/2021	AA-	0.020%
Stockport Metropolitan Borough Council	15,000,000	1.05%	28/02/2020	26/02/2021	AA-	0.020%
Birmingham City Council	10,000,000	1.20%	02/03/2020	01/03/2021	AA-	0.020%
Manchester City Council	25,000,000	1.20%	26/03/2020	25/03/2021	AA-	0.022%
Santander UK Plc	50,000,000	1.15%		Call365	A	0.053%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	75,000,000	1.26%				
ROYAL LONDON	75,000,000	1.40%				
Total Investments	£1,013,500,000	0.88%				
Total Investments - excluding Funds	£863,500,000	0.81%				0.017%
Total Investments - Funds Only	£150,000,000	1.33%				

City Of London Corporation

Portfolio Composition by Link Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **3.09**

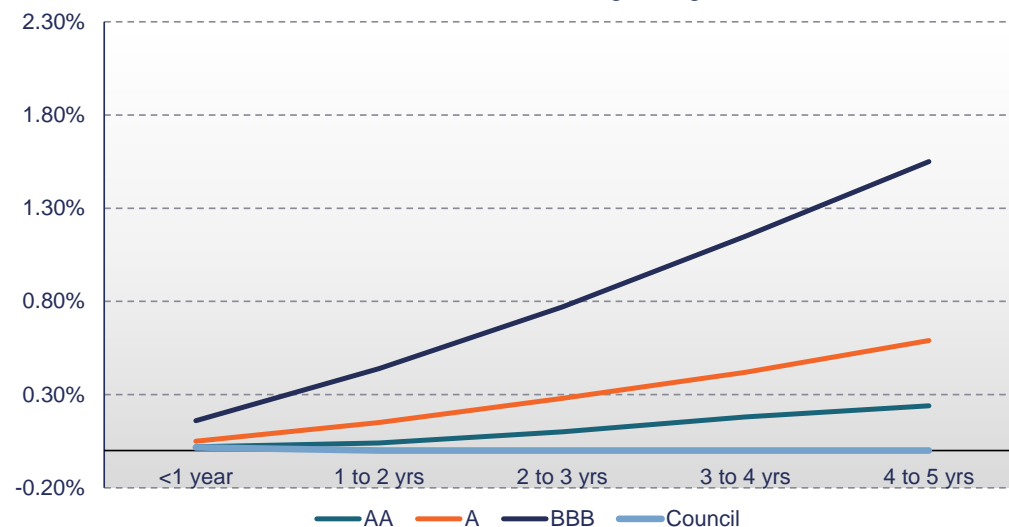
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	36.43%	£314,600,000	61.54%	£193,600,000	22.42%	0.65%	89	115	233	298
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	7.53%	£65,000,000	100.00%	£65,000,000	7.53%	0.36%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	5.79%	£50,000,000	0.00%	£0	0.00%	0.91%	99	248	99	248
Orange	23.22%	£200,500,000	21.25%	£42,600,000	4.93%	0.92%	157	300	171	353
Red	11.58%	£100,000,000	100.00%	£100,000,000	11.58%	1.06%	256	256	0	0
Green	15.45%	£133,400,000	59.97%	£80,000,000	9.26%	1.01%	184	245	150	303
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£863,500,000	55.73%	£481,200,000	55.73%	0.81%	133	193	178	315

City Of London Corporation

Investment Risk and Rating Exposure

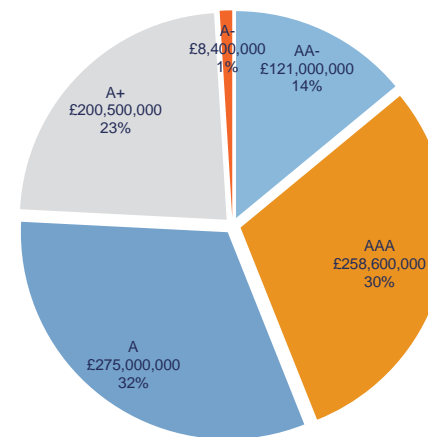
Investment Risk Vs. Rating Categories



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	0.017%	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
01/04/2020	1731	Bank of Scotland PLC (RBF)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
01/04/2020	1731	Lloyds Bank Corporate Markets Plc (NRFB)	United Kingdom	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Negative from Stable.
01/04/2020	1731	Lloyds Bank Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1732	Coventry Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1732	Leeds Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1732	Nationwide Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1732	Principality Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1732	Skipton Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1732	Yorkshire Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1733	Abbey National Treasury Services PLC	United Kingdom	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1733	Barclays Bank PLC (NRFB)	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch. The Viability Rating was also placed on Negative watch.
02/04/2020	1733	Barclays Bank UK PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.

City Of London Corporation

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
02/04/2020	1733	Close Brothers Ltd	United Kingdom	The Long Term Rating was downgraded to 'A-' from 'A' and the Outlook on the Long Term Rating was changed to Negative from Stable. The Short Term Rating was downgraded to 'F2' from 'F1' and the Viability Rating was downgraded to 'a-' from 'a'.
02/04/2020	1733	Clydesdale Bank PLC	United Kingdom	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch. The Viability Rating was also placed on Negative watch.
02/04/2020	1733	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was downgraded to 'B-' from 'B' and was removed from Stable Outlook and placed on Negative Watch. The Viability Rating was downgraded to 'b-' from 'b' and the Viability and Short Term ratings were placed on Negative Watch.
02/04/2020	1733	HSBC Bank PLC (NRFB)	United Kingdom	The Long Term Rating was upgraded to 'AA-' from 'A+' and the Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1733	HSBC UK Bank Plc (RFB)	United Kingdom	The Long Term Rating was upgraded to 'AA-' from 'A+' and the Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1733	NatWest Markets Plc (NRFB)	United Kingdom	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1733	Santander UK PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1733	National Westminster Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1733	The Royal Bank of Scotland Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
02/04/2020	1734	Cooperatieve Rabobank U.A.	Netherlands	The Long Term Rating was removed from Negative Outlook and placed on Negative Watch. The Short Term and Viability ratings were also placed on Negative Watch.
02/04/2020	1734	ING Bank N.V.	Netherlands	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch. The Short Term and Viability ratings were also placed on Negative Watch.
03/04/2020	1736	BNP Paribas Fortis	Belgium	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch. The Viability Rating was also placed on Negative watch.

City Of London Corporation

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
03/04/2020	1737	Swedbank AB	Sweden	The Long Term Rating was downgraded to 'A+' from 'AA-' and was removed from Negative watch and placed on Stable Outlook. The Short Term Rating was downgraded to 'F1' from 'F1+' and was removed from Negative watch. The Viability Rating was downgraded to 'a+' from 'aa-' and was removed from Negative Watch.
06/04/2020	1738	Bank of Montreal	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
06/04/2020	1738	Royal Bank of Canada	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
06/04/2020	1738	National Bank of Canada	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
06/04/2020	1738	Bank of Nova Scotia	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
06/04/2020	1738	Toronto-Dominion Bank	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
06/04/2020	1738	Canadian Imperial Bank of Commerce	Canada	The Outlook on the Long Term Rating was changed to Negative from Stable.
06/04/2020	1739	Bayerische Landesbank	Germany	The Outlook on the Long Term Rating was changed to Negative from Stable. The Viability Rating was downgraded to 'bbb' from 'bbb+'.
06/04/2020	1739	Landesbank Baden-Wuerttemberg	Germany	The Outlook on the Long Term Rating was changed to Negative from Stable. The Viability Rating was downgraded to 'bbb' from 'bbb+'.
06/04/2020	1740	Belgium Sovereign Rating	Belgium	The Outlook on the Sovereign Rating was changed to Negative from Stable.
06/04/2020	1742	Norddeutsche Landesbank Girozentrale	Germany	The Outlook on the Long Term Rating was changed to Negative from Stable. The Viability Rating was downgraded to 'bb' from 'bb+'.
07/04/2020	1743	Australia and New Zealand Banking Group Ltd.	Australia	The Long Term Rating was downgraded to 'A+' from 'AA-'. The Short Term Rating was downgraded to 'F1' from 'F1+' and the Viability Rating was downgraded to 'a+' from 'aa-'.

City Of London Corporation

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
07/04/2020	1743	Commonwealth Bank of Australia	Australia	The Long Term Rating was downgraded to 'A+' from 'AA-'. The Short Term Rating was downgraded to 'F1' from 'F1+' and the Viability Rating was downgraded to 'a+' from 'aa-'.
07/04/2020	1743	National Australia Bank Ltd.	Australia	The Long Term Rating was downgraded to 'A+' from 'AA-'. The Short Term Rating was downgraded to 'F1' from 'F1+' and the Viability Rating was downgraded to 'a+' from 'aa-'.
07/04/2020	1743	Westpac Banking Corp.	Australia	The Long Term Rating was downgraded to 'A+' from 'AA-'. The Short Term Rating was downgraded to 'F1' from 'F1+' and the Viability Rating was downgraded to 'a+' from 'aa-'.
08/04/2020	1746	Sumitomo Mitsui Banking Corporation Europe Ltd	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
17/04/2020	1747	Standard Chartered Bank	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
23/04/2020	1748	Goldman Sachs International Bank	United Kingdom	The Long Term Rating was upgraded to 'A+' from 'A' and the Outlook on the Long Term Rating was changed to Negative from Stable.
23/04/2020	1749	Citibank N.A.	United States	The Outlook on the Long Term Rating was changed to Negative from Stable.
23/04/2020	1749	JPMorgan Chase Bank N.A.	United States	The Outlook on the Long Term Rating was changed to Negative from Stable.
23/04/2020	1749	Wells Fargo Bank, NA	United States	The Outlook on the Long Term Rating was changed to Negative from Stable.
29/04/2020	1754	DBS Bank Ltd	Singapore	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch. The Viability Rating was also placed on Negative watch.
29/04/2020	1754	Oversea-Chinese Banking Corp. Ltd	Singapore	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch. The Viability Rating was also placed on Negative watch.
29/04/2020	1754	United Overseas Bank Ltd	Singapore	The Long Term Rating was removed from Stable Outlook and placed on Negative Watch. The Viability Rating was also placed on Negative watch.

City Of London Corporation

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
02/04/2020	1735	Swedbank AB	Sweden	The Long Term Rating was downgraded to 'Aa3' from 'Aa2' and the Outlook on the Long Term Rating was changed to Stable from Negative.

City Of London Corporation

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
06/04/2020	1741	Société Générale	France	The Outlook on the Long Term Rating was changed to Stable from Positive.
08/04/2020	1744	Australia Sovereign Rating	Australia	The Outlook on the Sovereign Rating was changed to Negative from Stable.
08/04/2020	1745	Australia and New Zealand Banking Group Ltd.	Australia	The Outlook on the Long Term Rating was changed to Negative from Stable.
08/04/2020	1745	Commonwealth Bank of Australia	Australia	The Outlook on the Long Term Rating was changed to Negative from Stable.
08/04/2020	1745	Macquarie Bank Ltd.	Australia	The Outlook on the Long Term Rating was changed to Negative from Stable.
08/04/2020	1745	National Australia Bank Ltd.	Australia	The Outlook on the Long Term Rating was changed to Negative from Stable.
08/04/2020	1745	Westpac Banking Corp.	Australia	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	Bank of Scotland PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	Barclays Bank PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	Barclays Bank UK PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	Clydesdale Bank PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Negative.

City Of London Corporation

Monthly Credit Rating Changes S&P

24/04/2020	1750	Lloyds Bank Corporate Markets Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	Lloyds Bank Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	NatWest Markets Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	Santander UK PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	Nationwide Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Positive.
24/04/2020	1750	National Westminster Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1750	The Royal Bank of Scotland Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1751	BNP Paribas	France	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1751	Credit Agricole Corporate and Investment Bank	France	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1751	Credit Agricole S.A.	France	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1751	Credit Industriel et Commercial	France	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1751	BNP Paribas Fortis	Belgium	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1752	Commerzbank AG	Germany	The Long Term Rating was downgraded to 'BBB+' from 'A-'.

City Of London Corporation

Monthly Credit Rating Changes S&P

24/04/2020	1752	Deutsche Bank AG	Germany	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1752	Landesbank Hessen-Thueringen Girozentrale	Germany	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1752	Cooperatieve Rabobank U.A.	Netherlands	The Outlook on the Long Term Rating was changed to Negative from Stable.
24/04/2020	1753	Sumitomo Mitsui Banking Corporation Europe Limited	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Positive.
30/04/2020	1755	Nordea Bank Abp	Finland	The Outlook on the Long Term Rating was changed to Negative from Stable.

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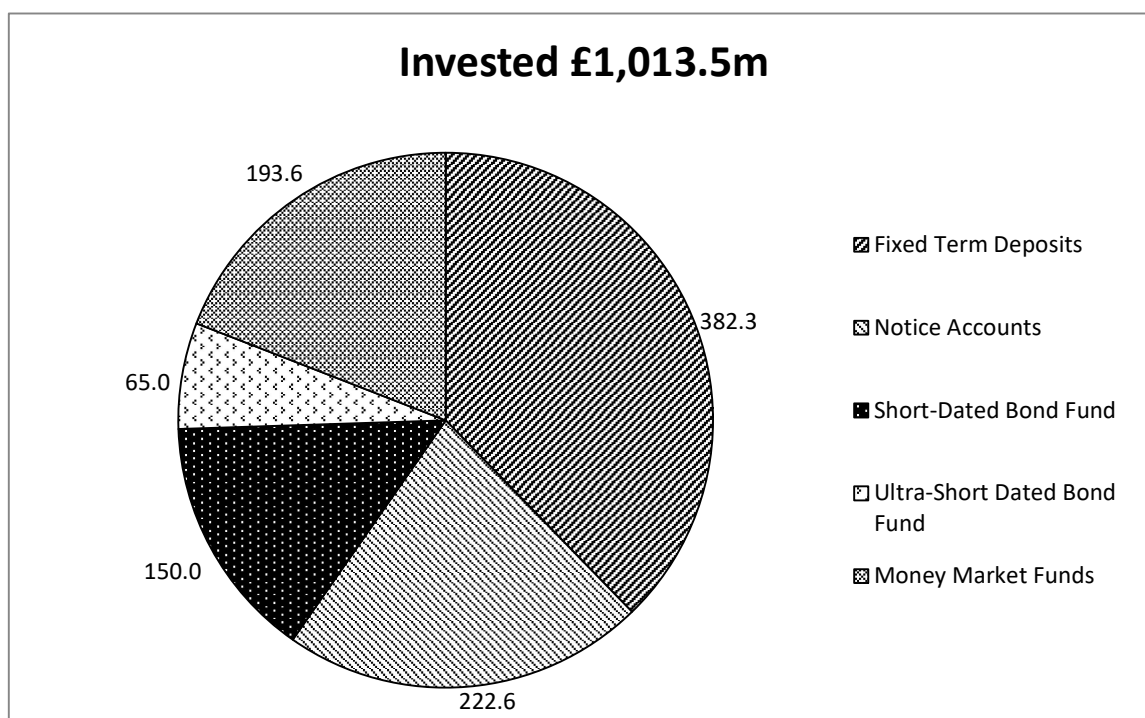
MONTHLY INVESTMENT REVIEW AS AT 30 APRIL 2020

	Counterparty Limit	Total Invested as at 30-Apr-20	Average Rate of Return
	£M	£M	%
<u>TOTAL INVESTED</u>		<u>1,013.5</u>	<u>0.88%</u>
<u>UK BANKS</u>			
Barclays	100.0	25.0	1.01%
Goldman Sachs	100.0	20.0	1.04%
HSBC	100.0	-	-
Lloyds	150.0	125.9	1.11%
NatWest	100.0	50.0	0.91%
		<u>220.9</u>	
<u>BUILDING SOCIETIES</u>			
Coventry	20.0	-	0.00%
Leeds	20.0	8.4	0.95%
Nationwide	120.0	-	0.00%
Skipton	20.0	-	1.00%
Yorkshire	20.0	-	1.05%
		<u>8.4</u>	
<u>FOREIGN BANKS</u>			
Australia & New Zealand	100.0	32.0	0.94%
National Australia Bank	100.0	-	-
Svenska Handelsbanken	100.0	-	-
		<u>32.0</u>	
<u>LIQUIDITY FUNDS</u>			
Aberdeen SLI Liquidity Fund	100.0	46.6	0.39%
CCLA - Public Sector Deposit Fund	100.0	10.0	0.39%
Deutsche Global Liquidity Fund	100.0	37.2	0.37%
Federated Prime Liquidity Fund*	100.0	39.3	0.37%
Invesco Sterling Liquidity Fund	100.0	60.5	0.43%
		<u>193.6</u>	
<u>ULTRA SHORT DATED BOND FUNDS</u>			
Payden Sterling Reserve Fund	100.0	55.0	0.31%
Aberdeen SLI Short Duration Fund*	100.0	5.0	0.55%
Federated Sterling Cash Plus Fund*	100.0	5.0	0.68%
		<u>65.0</u>	
<u>SHORT DATED BOND FUNDS</u>			
L&G	100.0	75.0	1.26%
Royal London	100.0	75.0	1.40%
		<u>150.0</u>	
<u>NOTICE ACCOUNTS</u>			
Australia and New Zealand 185 Days Account	100.0	20.0	0.40%
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%
Lloyds 32 Days Account	150.0	22.6	0.25%
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	-	-
		<u>-</u>	
<u>LOCAL AUTHORITIES</u>			
Birmingham City	25.0	25.0	1.20%
Fife Council	25.0	6.0	0.95%
LB Haringey	25.0	5.0	0.95%
Manchester CC	25.0	25.0	1.20%
Northumberland CC	25.0	5.0	1.00%
Plymouth CC	25.0	20.0	0.94%
Rushmoor BC	25.0	10.0	0.90%
Stockport CC	25.0	15.0	1.05%
LB Waltham Forest	25.0	10.0	0.83%
		<u>121.0</u>	
<u>TOTAL</u>		<u>1,013.5</u>	

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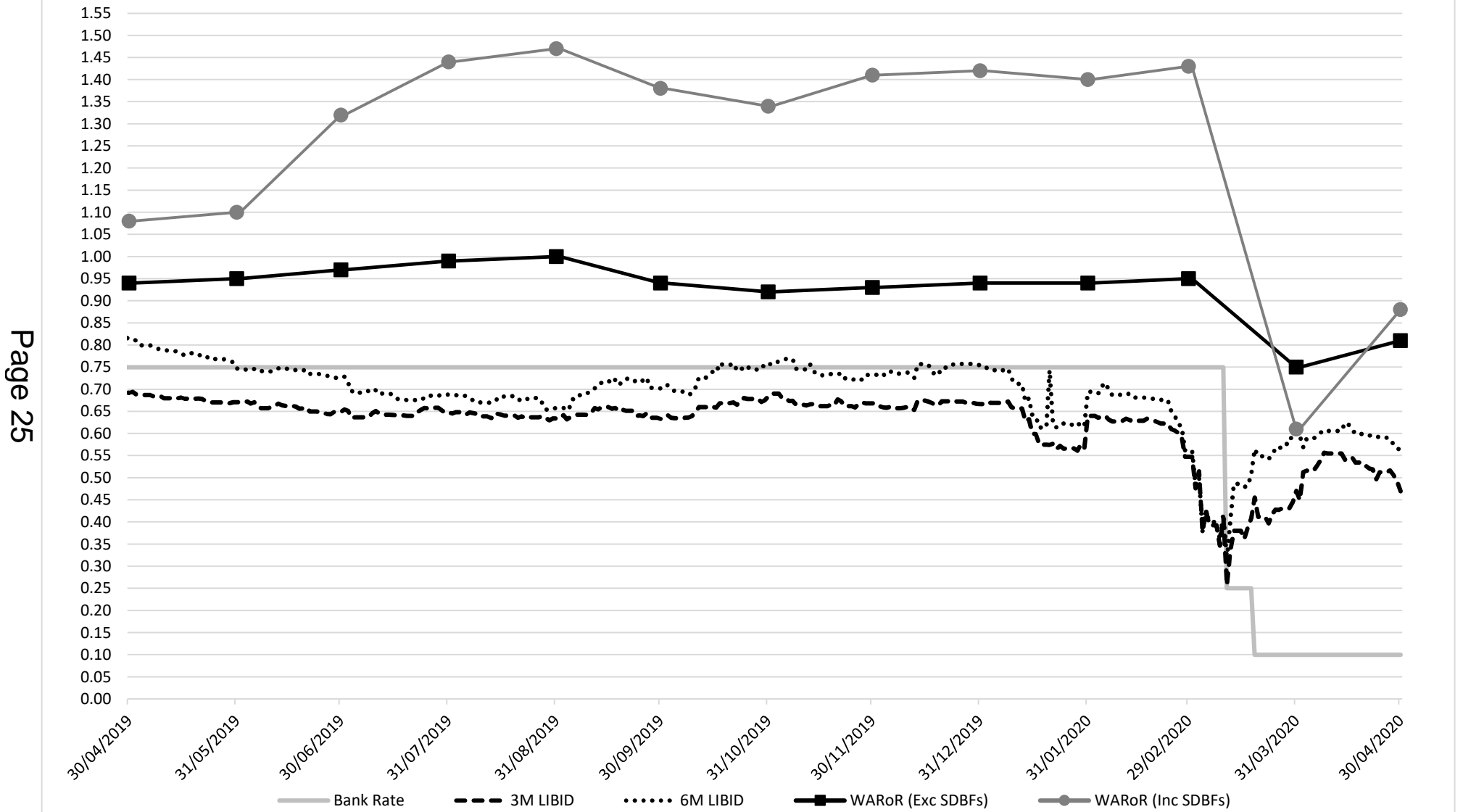
MONTH BY MONTH REPAYMENT PROFILE

	Invested as at 30-Apr-20 £M	Average Rate of Return %
Total	<u>1,013.5</u>	<u>0.88%</u>
Fixed Term Deposits		
May 2020	30.0	
June 2020	18.4	
July 2020	12.0	
August 2020	55.0	
September 2020	15.0	
October 2020	76.0	
November 2020	65.9	
December 2020	20.0	
January 2021	20.0	
February 2021	35.0	
March 2021	35.0	
	<u>382.3</u>	3.10%
Money Market Funds	193.6	0.39%
Ultra-Short Dated Bond Fund	65.0	0.36%
Short-Dated Bond Fund	150.0	1.33%
Notice Accounts		
- ANZ 185 Days	20.0	
- Goldman Sachs 185 Days	60.0	
- Goldman Sachs 270 Days	20.0	
- Santander 95 Days	20.0	
- Santander 180 Days	30.0	
- Santander 365 Days	50.0	
- Lloyds 32 Days	22.6	
	<u>222.6</u>	0.90%
	<u>631.2</u>	



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



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Committee:	Date:
Financial Investment Board	3 June 2020
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 recommend that the current scores for two risks (namely the risk of insufficient assets and the risk of counterparty failure) are increased to reflect the elevated risk environment brought about through COVID-19. 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 underlined throughout. 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; 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 29 November 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 29 November 2019, the Board asked officers to consider alternative tools and formatting that might enable further analysis of the Risk Register going forward.






















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.

Update on risks

6. The Risk Register contains seven risks which are summarised below. Pursuant to the Board's request, the summary has been adapted to include additional metrics on trend analysis. In the table, "Trend Icon" refers to the direction of travel since the last review for a given risk whilst "Flight Path" illustrates a risk's score over time, with the current risk score shown on the right hand side of the graphic.

Table 1: Risk Summary

Risk Code	Risk Title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight Path
CHB FIB 01	Insufficient assets - Pension Fund, City's Cash and Bridge House Estates	12			
CHB FIB 04	Counterparty failure - Treasury Management	8			
CHB FIB 02	Targeted returns - Pension Fund, City's Cash and Bridge House Estates	6			
CHB FIB 03	Service provider failure - Pension Fund, City's Cash and Bridge House Estates	4			
CHB FIB 05	Insufficient Cash - Treasury Management	4			
CHB FIB 06	Governance	4			
CHB FIB 07	Responsible investment	4			

7. Officers have reviewed the Risk Register and consider that, as a result of COVID-19 and its impact on the Corporation, the risk environment has changed since the Board last reviewed the Register in November 2019. This is manifested in two of the Board's key risks:
- a. **CHB FIB 01 (Insufficient assets)** – the current score for this risk has increased from “8” to “12” as officers judge that the likelihood of the Corporation's financial assets being unable to fund the three Funds' associated liabilities and ongoing spending commitments has increased from “unlikely” to “possible”. The three Funds' performed relatively well against the backdrop of an extreme market drawdown in Q1 2020 and whilst asset prices have recovered somewhat since, there remains considerable uncertainty around the long-long-term impact of the pandemic on the domestic and global economy and financial assets. In these circumstances it is prudent to recognise an elevated risk here.
 - b. **CHB FIB 04 (Counterparty failure)** – the current score for this risk has changed from “4” to “8” to reflect an increase in the possibility of a counterparty failure from “rare” to “unlikely”. The current Treasury Management Strategy restricts lending to only high-quality counterparties and officers recommend that the current creditworthiness policy should be maintained. However, under weaker economic conditions it is important that the Corporation maintains a core focus on counterparty strength when carrying out its treasury operations. At an operational level, officers have increased monitoring activities around counterparties to ensure principal sums continue to be invested safely.
8. The scores for other risks have been maintained at their previous levels, although these risks have each been reviewed and updated where necessary in the Register itself. Updates to the Risk Register are underlined throughout.
9. As a result of the review, officers consider that the three risks listed at the top of Table 1 are currently 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.
10. 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.
11. Each risk presented in the Risk Register is accompanied by one or more “action(s)” which reflect how the risk is managed and mitigated. A “due date” for required completion is set against each action. Due to the nature of the risks overseen by the Board, in many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual due date, which will be renewed each year.

Conclusion

12. 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

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

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

(A) Likelihood criteria

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

(B) Impact criteria

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

(C) Risk scoring grid

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

(D) Risk score definitions

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

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

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

Report Author: James Graham

Generated on: 19 May 2020



Rows are sorted by Risk Score

Code CHB FIB 01

Department Description: Chamberlain's 1



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 01 Insufficient assets - Pension Fund, City's Cash and Bridge House Estates	<p>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.</p> <p>Event: There are insufficient assets to meet liabilities or expenditure requirements.</p> <p>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.</p>	Likelihood Impact 	12	<p>The Pension Fund's absolute return target was set at 5.7% annually from 1st April 2018 whilst the absolute return target for City's Cash and Bridge House Estate was set at CPI +4% from the same date. All three funds were impacted in the first quarter of 2020 by the downturn in financial markets related to COVID-19 and accordingly, as at 31 March 2020, the three portfolios now trail their absolute return targets in all time periods. It is worth noting that asset values have recorded somewhat since the end of March but heightened volatility remains and there is notable uncertainty about the long term</p>	Likelihood Impact 	8	31-Mar-2021	

08-Mar-2018 Peter Kane				<u>impact of the virus on the global economic and, by extension, asset values. Given these conditions the score for this risk has been changed to reflect the judgement that the likelihood of this risk materialising is now "possible" rather than "unlikely".</u> <u>19 May 2020</u>				<u>Increasing</u>
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a Page 34	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 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. <u>The actuary completed the latest triennial valuation in March 2020 and the Board is now in a position to review the Pension Fund's investment strategy. This will be given initial consideration at the Board's meeting on 3 June 2020 and the strategy review will be completed in the coming months. Following this, the Board will review the City's Cash and Bridge House Estates investment strategies.</u>	Caroline Al-Beyerty; Kate Limna	<u>19-May-2020</u>	<u>23-Sep-2020</u>
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.	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>

Code CHB FIB 02

Department Description: Chamberlain's 1

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 Page 35 08-Mar-2018 Peter Kane	<p>Cause: Fund managers fail to achieve the targeted investment returns because</p> <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 <p>Event: Failure to be seen to manage the funds responsibly.</p> <p>Effect: Supervisory intervention over management of the Funds.</p>	 <p>Likelihood</p> <p>Impact</p>	6	The performance of fund managers and their aggregate performance is reported against target to each Financial Investment Board. <u>Most managers are currently outperforming their assigned targets over longer term time horizons, although several are not. Where relative returns are negative, Members and officers seek to understand why in order to determine whether there is continued conviction in the manager's strategy to recover performance.</u> <u>19 May 2020</u>	 <p>Likelihood</p> <p>Impact</p>	6	<u>31-Mar-2021</u>	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 02a	Investment managers' performance and their aggregate performance 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	<u>The latest performance reports to the Board from officers and the investment consultant Mercer detail appointed manager and fund level performance up to 31 March 2020. Recent Member-level meetings have taken place with CQS and Pyrford (February 2020) whilst a further ESG-specific meeting was held with Pyrford in April 2020.</u>	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>

	<p>movement of key officers; and reviews on the incorporation of ESG considerations in implementing their investment strategies.</p> <p>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.</p>				
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Code CHB FIB 03

Department Description: Chamberlain's 1

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 Page 37 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. <u>In March 2020, officers contacted appointed fund managers to confirm that arrangements were in place to protect business continuity in the event of restrictions on physical movement in response to COVID-19. Appropriate assurances were received.</u> <u>19 May 2020</u>	 Likelihood Impact	4	<u>31-Mar-2021</u>	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 03a	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. <u>There are currently no plans to appoint any additional managers.</u> The investment consultant was appointed via the National LGPS procurement framework in 2015.	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>
CHB FIB 03b	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	James Graham;	<u>19-May-2020</u>	<u>31-Mar-2021</u>

		account compilation across Funds. <u>All internal control reports from the pooled fund managers have been received where available.</u>	Kate Limna		
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.	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>

Code CHB FIB 04

Department Description: Chamberlain's 1

[illegible]

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 04a	Detailed due diligence is carried out when new counterparties are onboarded.	Independent analysis and consultation with treasury investment advisor when adding additional counterparties.	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>

		<p><u>Where the Corporation invests in money market funds, officers have increased monitoring of the funds' daily and weekly liquidity profiles to ensure the vehicles retain adequate liquidity. At present, there are no liquidity concerns with any of the Corporation's existing fund counterparties. These funds invest in very short term and very high-quality instruments, so default risk is low.</u></p> <p><u>The Corporation's short dated bond fund investments are more sensitive to changes in economic conditions and this inevitably had an impact on valuations during March. However, these investments are much longer term in nature and therefore the Corporation has a greater tolerance for volatility in returns. Notwithstanding this however, in light of the current credit conditions, officers have increased monitoring of the funds' daily price movements.</u></p> <p><u>Officers also continue to monitor changes in the credit standing of direct counterparties via ratings changes from the three main credit rating agencies and other news.</u></p>			
CHB FIB 04b	When lending directly to counterparties, ensure they meet the minimum credit criteria as set out in the most recent Treasury Management Strategy Statement.	<u>All lending continues to be conducted within the parameters of the 2020/21 Treasury Management Strategy Statement as agreed by Court of Common Council on 5th March 2020. Additionally, officers have implemented financial metric-based criteria for determining the eligibility of local authority borrowers.</u>	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>
CHB FIB 04c	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.	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>

Code CHB FIB 05

Department Description: Chamberlain's 1

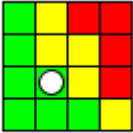
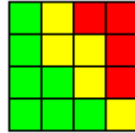

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 05 Insufficient Cash - Treasury Management	<p>Cause: Inaccurate cash flow modelling for Corporation as a whole.</p> <p>Event: There is insufficient cash available to meet day to day obligations.</p> <p>Effect: Overdrawn position incurs unnecessary expenditure and missed payments damage the Corporation's reputation.</p>	<div style="display: flex;"> <div>Likelihood</div> </div> <div style="display: flex;"> <div>Impact</div> </div>	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. <u>The Corporation's cash flow is affected by the COVID-19 pandemic and the Government's response: there has been an appreciable reduction in business rates, rental and operational income although this is partially mitigated by financial support provided by the Government via new grant monies and the deferral of business rates retention payments. At present the Corporation's liquid cash balances remain very healthy and therefore the existing risk rating has been maintained. However, in order to protect this position officers have increased liquidity within the portfolio (i.e. investing a greater proportion on a short term basis) and continually review the cash flow on a daily basis.</u>	<div style="display: flex;"> <div>Likelihood</div> </div> <div style="display: flex;"> <div>Impact</div> </div>	4	<u>31-Mar-2021</u>	Constant
08-Mar-2018 Peter Kane				<u>19 May 2020</u>				

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
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.	<p>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.</p> <p><u>There is clearly uncertainty around the ongoing impact of COVID-19 and the timing of any potential relaxation of measures designed to manage the pandemic. Under these conditions cash flow forecasting will be subject to increased uncertainty. Officers have therefore reduced the overall duration of the portfolio (i.e. increased the amount of funds available at short-term notice).</u></p>	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>

	training opportunities via courses, seminars and conferences.				
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	<u>19-May-2020</u>	<u>31-Mar-2021</u>
CHB FIB 06d	External professional advice sought where required.	<u>Investment consultants provide focused training sessions as and when required. The next training event will occur on 3 June 2020 when the Investment consultant will lead an review of the Pension Fund investment strategy.</u>	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>
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).	James Graham; Kate Limna	<u>19-May-2020</u>	<u>31-Mar-2021</u>

Code CHB FIB 07

Department Description: Chamberlain's 1

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 07 Responsible investment <div>Page 45</div>	<p>Cause: Insufficient attention is paid to the environmental, social and governance (ESG) dimensions of the Corporation's financial investments.</p> <p>Event: The Corporations' financial investments include an underappreciated exposure to negative ESG risks and the means to effectively manage such risks is not understood.</p> <p>Effect: The Corporation suffers reputational or financial damage.</p>	<div> <div>Likelihood</div>  <div>Impact</div> </div>	4	<p>The Board has formally recognised its asset stewardship role and the need to manage ESG risks through its Responsible Investment Policy which also outlines the Board's approach in this area. The City of London Corporation is a signatory to the Principles for Responsible Investment through which the Board seeks to generate appropriate disclosure on ESG issues amongst its investments. The City of London has agreed a statement of commitment to the UK Stewardship Code and has been assessed as a tier 1 signatory.</p> <p>The Board incorporates ESG considerations into investment manager selection and appointment criteria (most recently with the appointment of Baillie Gifford) and monitors ESG developments in its existing mandates on a quarterly basis. ESG risks are also discussed at Member and officer level meetings with managers. Furthermore the Board conducts an annual stewardship review of its investment managers which it uses to encourage progress amongst its managers</p>	<div> <div>Likelihood</div>  <div>Impact</div> </div>			

20-Jun-2019				<u>19 May 2020</u>				Constant
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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.	<u>A complete response for 2020 was submitted to the PRI before the 1 April 2020 deadline and the Corporation will receive its second (private) transparency report in the coming months before being required to prepare its first public submission in 2021. The PRI is currently overhauling its assessment framework in time for the 2021 reporting cycle and will provide updates to signatories later in the year.</u>	James Graham; Kate Limna	19-May-2020	31-Mar-2021
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.	<u>The Board agreed to conduct an interim stewardship assessment of its equity and multi-asset managers in 2020, mindful of the fact that most asset managers are preparing compliance towards the new UK Stewardship Code 2020 ahead of the initial reporting deadline of March 2021. Appointed asset managers have been given until the end of May to respond to the interim assessment and the results of the exercise will be reported to the Board at its meeting on 13 July 2020.</u>	James Graham; Kate Limna	19-May-2020	13-Jul-2020
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.	<u>The Board receives regular updates on ESG standings amongst its appointed investment managers from the Investment Consultant on a quarterly basis. In April, Members held a dedicated ESG meeting with Pyrford (multi asset manager). Members also met with CQS earlier in the year and discussed the credit multi asset manager's approach to ESG.</u>	James Graham; Kate Limna	19-May-2020	31-Mar-2021
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.		19-May-2020	03-Jun-2020

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