



Financial Investment Board

Date: WEDNESDAY, 16 MAY 2012
Time: 1.45pm
Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members: Ray Catt (Chairman)
Henry Pollard (Deputy Chairman)
Deputy Ken Ayers (Chief Commoner)
Roger Chadwick
Simon Duckworth
Deputy Anthony Eskenzi
Brian Harris
Tom Hoffman
Robert Howard
Clare James
Anthony Llewelyn-Davies
Deputy Edward Lord
Jeremy Mayhew
Ian Seaton
Stuart Fraser (Ex-Officio Member)

Enquiries: Claire Sherer
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claire.sherer@cityoflondon.gov.uk

Lunch for Members will be served in the Guildhall Club at 1pm

Chris Duffield
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **DECLARATIONS BY MEMBERS OF ANY PERSONAL OR PREJUDICIAL INTERESTS**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meetings held on 2 February 2012 and 9 May 2012.

For Decision
(Pages 1 - 8)
4. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY PROCEDURES**
Report of the Town Clerk.

For Information
(Pages 9 - 10)
5. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
6. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
7. **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.

Item No.	Paragraph(s) in Schedule 12A
8 - 12	3
13 - 14	-

Part 2 - Non-Public Agenda

8. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meetings held on 2 February 2012 and 9 May 2012.

For Decision
(Pages 11 - 14)
9. **MINUTES OF THE INVESTMENT STRATEGY WORKING PARTY**
To note the minutes of the Revised Investment Strategy Implementation Working Party held on 9 February 2012 and 14 March 2012.

For Information
(Pages 15 - 22)

10. **SECURITIES INVESTMENTS - STRATEGY REVIEW**
Report of the Chamberlain.

For Decision
(Pages 23 - 42)
11. **INVESTMENTS PERFORMANCE MONITORING TO 31 MARCH 2012**
Report of the Chamberlain.

For Information
(Pages 43 - 48)
12. **QUARTERLY INVESTMENT REPORT AS AT 31 MARCH 2012**
Report of Aon Hewitt.

Withdrawn
13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
To note the minutes of the Investment Strategy Working Party meetings held on 9 February 2012 and 14 March 2012 (copies attached) and 4 May 2012 (to follow).
14. **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

2 February 2012

Minutes of the meeting of the FINANCIAL INVESTMENT BOARD held at Guildhall, EC2 on THURSDAY 2 FEBRUARY 2012 at 1.45pm.

Present

Members:

Robert Hughes-Penney (Chairman)	Clare James
Ray Catt (Deputy Chairman)	Anthony Llewelyn-Davies
Deputy Kenneth Ayers	Jeremy Mayhew
Simon Duckworth	Henry Pollard
Brian Harris	Ian Seaton
Tom Hoffman	

Officers:

Paul Mathews	Chamberlain's Department
Caroline Al-Beyerty	Chamberlain's Department
Mark Bryans	Chamberlain's Department
Claire Sherer	Town Clerk's Department

In Attendance

Simon Harris (Item 11 only)	GMO (UK) Ltd
Tom Smith (Item 11 only)	GMO (UK) Ltd
Peter Froude (Item 11 only)	GMO (UK) Ltd
John Harrison (Item 12 only)	Aon Hewitt
Emily McGuire (Item 12 only)	Aon Hewitt

Part 1 – Public Agenda

1. APOLOGIES

Apologies for absence were received from Roger Chadwick and Oliver Lodge.

2. DECLARATIONS BY MEMBERS OF PERSONAL OR PREJUDICIAL INTERESTS IN RESPECT OF ITEMS TO BE CONSIDERED AT THIS MEETING

There were none.

3. MINUTES

The public minutes and summary of the non-public minutes of the meeting held on 12 December 2011 were approved.

4. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2012/13

The Board were given an outline of the Treasury Management Strategy Statement and Annual Investment Strategy 2012/13, which would subsequently feed into the 'City Fund 2012/13 Budget and Medium Term Financial Strategy'

report which would be submitted to the Finance Committee and Court of Common Council. It was noted that the 'Approved Countries for Investments – as based on Fitch Ratings' (as set out in Appendix 6 of the report) had changed since the papers were circulated and also that the UK would remain as an approved country even if it were to be downgraded from its current AAA status.

In response to a question, Officers agreed to review and update Members on current policy regarding Insurance Companies.

RESOLVED: That the Treasury Management Strategy Statement and Annual Investment Strategy be approved and submitted to the Court of Common Council for formal adoption.

5. UK STEWARDSHIP CODE

The Board were asked to note the requirements of the Finance Reporting Council's UK Stewardship Code (as published in July 2010) and to take assurance that the majority of the City Corporation's Investment Fund Managers adhere fully to the code (as shown in the appendices to the report).

The Chairman welcomed the positive findings and noted that it would be useful for the Board to receive an annual report on voting and corporate governance.

RESOLVED: That the City Corporation's current approach towards the Stewardship Code, as adopted by its Investment Managers, was agreed.

6. PENSION FUND – ACTUARIAL VALUATION

As requested at the previous meeting, the Board considered a December 2010 report to the Finance Committee which identified a decrease in the overall funding level of the Pension Fund following an Actuarial Valuation. This had resulted in Members agreeing to increase the deficit recovery period from 17 years to 20 years.

One Member noted that, in the context of disappointing investment returns and the current low growth period, this approach could only be deemed as short-term fix.

RESOLVED: That the report be noted.

7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were none.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

9. EXCLUSION OF THE PUBLIC

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

Part 2 – Non-Public Agenda

SUMMARY OF MATTERS CONSIDERED WHILST THE PUBLIC WERE EXCLUDED

10. NON-PUBLIC MINUTES

The non-public minutes of the Financial Investment Board meeting held 12 December 2011 were approved.

11. FUND MANAGER PRESENTATION

The Board considered a presentation from GMO (UK) Ltd.

12. IMPLEMENTATION OF INVESTMENT STRATEGY

The Board considered report of Aon Hewitt on implementing the City of London Corporation Investment Strategy.

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

There were no questions.

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

There were no urgent items.

The meeting closed at 3.35pm.

CHAIRMAN

Contact Officer: Claire Sherer
Tel: 020 7332 1971
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FINANCIAL INVESTMENT BOARD

Wednesday, 9 May 2012

Minutes of the meeting of the Financial Investment Board held at Guildhall, EC2 on
Wednesday, 9 May 2012 at 2.00pm

Present

Members:

Ray Catt (Chairman)
Henry Pollard (Deputy Chairman)
Deputy Ken Ayers (Chief Commoner)
Roger Chadwick
Simon Duckworth
Deputy Anthony Eskenzi
Tom Hoffman
Robert Howard
Anthony Llewelyn-Davies
Deputy Edward Lord
Jeremy Mayhew
Stuart Fraser (Ex-Officio Member)

Officers:

Claire Sherer	- Town Clerk's Department
Matthew Pitt	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Paul Mathews	- Corporate Treasurer
Peter Bennett	- City Surveyor
Nicholas Gill	- City Surveyor's Department

Agenda

- 1. APOLOGIES**
Apologies for absence were received from Brian Harris, Clare James and Ian Seaton.
- 2. DECLARATIONS BY MEMBERS OF ANY PERSONAL AND PREJUDICIAL INTERESTS**
There were no declarations.
- 3. CONFIRMATION OF APPOINTMENT OF THE FINANCIAL INVESTMENT BOARD**
The Town Clerk confirmed that at the meeting of the Investment Committee this day, the following Members were appointed to the Financial Investment Board for 2012/13:-

Deputy Ken Ayers (Chief Commoner)
Ray Catt
Roger Chadwick
Simon Duckworth
Deputy Anthony Eskenzi
Brian Harris
Tom Hoffman
Robert Howard
Clare James
Anthony Llewelyn-Davies
Deputy Edward Lord
Jeremy Mayhew
Henry Pollard
Ian Seaton
Stuart Fraser (Ex-Officio Member)

4. ELECTION OF CHAIRMAN

The Committee proceeded to elect a Chairman in accordance with Standing Order No. 29. A list of Members eligible to stand was read and Ray Catt being the only Member expressing a willingness to serve was declared to have been elected as Chairman of the Financial Investment Board for the ensuing year.

5. ELECTION OF DEPUTY CHAIRMAN

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No. 30. A list of Members eligible to stand was read and Jeremy Mayhew and Henry Pollard expressed a willingness to serve.

A ballot having been taken, votes were cast as follows:-

Henry Pollard	9 votes
Jeremy Mayhew	2 votes

Henry Pollard was declared to have been elected as the Deputy Chairman of the Financial Investment Board for the ensuing year.

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 were no urgent items.

The meeting ended at 2.07pm

Chairman

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Agenda Item 4

Committee:	Date:
Financial Investment Board	16 May 2012
Subject: Report of decisions taken between meetings	Public
Report of: Town Clerk	For Information
<u>Summary</u>	
<p>This report sets out a decision taken on 4 May 2012 in relation to the establishment of a City of London Social Investment Fund.</p>	
Recommendation	
<p>That the Financial Investment Board note that, on 4 May 2012, a decision was taken to establish a £20million Social Investment Fund, subject to a future report to this Board outlining the arrangements for managing the process. This report will also be submitted to the Court of Common Council for information.</p>	

Main Report

Background

1. Standing Order 41 provides a mechanism for the Town Clerk to take decisions between scheduled meetings of each Committee or Sub-Committee. Any decision must be made in consultation with the Chairman and Deputy Chairman, and the Town Clerk must:
 - be of the opinion that the decision is urgently necessary; or
 - have delegated authority from the Committee to make the decision.
2. In accordance with Standing Orders, this must be reported to the next regular Committee.

Decisions Taken Between Meetings

City of London Social Investment Fund

3. An urgent decision was taken on 4 May 2012 in respect of the establishment of a £20million Social Investment Fund, subject to a future report to this Board outlining the arrangements for managing the process. This report will also be submitted to the Court of Common Council for information.
4. The reason for urgency was to ensure that a formal announcement could be made on Tuesday 8 May 2012 at a meeting involving Government Ministers and

business leaders heading up Action Groups on aspects of increasing resourcing of civil society.

5. At its meeting on 23 February 2012, the Policy and Resources Committee approved funding for a specialist role to develop the City Corporation's strategy in developing London as a global social investment hub.
6. Following consultation with the Chief Grants Officer of the City Bridge Trust and approval in principle by the Policy and Resources Committee on 3 May 2012, a £20million Social Investment Fund (SIF) has been established from within the Bridge House Estates. This is subject to a further report on the management arrangements and the approval of the other relevant Boards and Committees as appropriate.
7. Social investment is the use of established financial mechanisms to fund social enterprises or charities. With diminishing grant funding available and an increasing demand to deliver public sector services, many charities are turning to social investment as an alternative way of financing their activities. Unlike traditional philanthropy, social investments have the potential to return the original investment, providing a sustainable way of financing community projects. Charities are already making greater use of social investments and major banks, such as Deutsche Bank and HSBC, are increasing their social investment funds.
8. A £20million SIF would demonstrate the City Corporation's on-going commitment to social investment and place it at the forefront of London's efforts in developing this form of community investment. This is a significant opportunity to maximise the social impact of the City Corporation's investments by making the capital work harder to achieve a social, as well as a financial, return.
9. The proposed SIF would not impact upon the City Bridge Trust grants budget as Bridge House Estates is currently forecasting annual financial surpluses over the next several years over and above the surplus required to fund the City Bridge Trust, and the projected return on the SIF would exceed the current return on relatively low yielding cash investments.

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Agenda Item 8

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Agenda Item 9

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Agenda Item 10

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

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Agenda Item 11

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