

Committee(s):	Date(s):
Investment	20 July 2012
Subject: Role and powers of the Investment Committee	Public
Report of: Town Clerk	For Information
<p><u>Summary</u></p> <p>This report seeks to clarify the terms of reference, roles and responsibilities of the Investment Committee, in relation to that of other Committees with oversight over City Corporation investments.</p> <p>It has been recognised by this Committee that certain responsibilities, especially in areas of finance through its Financial Investment Board, are not always clear. This is because other Committees also have oversight of financial matters, investments and allocations.</p> <p>Recommendations</p> <ul style="list-style-type: none"> • That the Committee note the contents of this report. 	

Main Report

Background

1. The Investment Committee was created in 2011 following the review of the City Corporation governance arrangements. The review sought to create improved management arrangements for the City Corporation's investments, both property and non-property. The Committee was given responsibility for the management and oversight of these investments in accordance with approved strategies and policies.
2. Two Boards were established to manage and scrutinise property and non-property investments; the Property Investment Board and the Financial Investment Board.
3. The responsibilities of the grand Investment Committee and the two Investment Boards are laid out in their terms of reference at appendix A.

Current Position

4. This Committee has sought clarification on the role of the Investment Committee in respect of the responsibilities of other committees and sub-committees.
5. Following the new governance arrangements implemented in 2011, the updated terms of reference of the committees involved in the investment strategy reflect the different responsibilities in this area.

6. Overall, the Policy and Resources Committee approve the investment strategy. This strategic oversight is supported by the Resource Allocation Sub-Committee, which allocates the amount to be invested in securities and property assets. This is allocated in accordance with the investment strategy.
7. The Financial and Property Investment Boards take the operational investment decisions. These Boards have decision-making and scrutiny powers over how the allocated funding is used.
8. The Investment Committee has oversight responsibilities of the two Investment Boards. Monitoring the operational decisions taken by these Boards.
9. Below is an update on the roles and responsibilities of the committees impacted by the investment strategy.

The role of the Policy and Resources Committee

10. Alongside the Investment Committee and the Investment Boards, the Policy and Resources Committee retains oversight of resource allocation, including financial resources, and corporate assets, in respect of the strategic priorities of the City Corporation. The Committee also agrees the City Corporation investment strategy.
11. The oversight responsibilities of the Investment Committee fall within the framework and strategies agreed by the Policy and Resources Committee.

The role of the Resource Allocation Sub-Committee

12. The Resource Allocation Sub-Committee supports the Policy and Resources Committee through recommending the allocation of financial resources in respect of the City Corporation's capital and revenue expenditure.
13. It also has responsibility for determining the investment proportions between property and non-property assets on behalf of the Policy and Resources Committee, who retains strategic oversight of this allocation.

The role of the Financial Investment Board

14. In accordance with the investment strategy and following the allocation of financial resources from the Resource Allocation Sub-Committee, the Financial Investment Board determines and approves financial management and investment matters.

15. This includes having oversight of the appointment and performance of investment managers. This includes approving the overall parameters within which the investment fund managers will be authorised to operate.
16. Investment managers are appointed by the Board to provide advice on the City Corporation's financial investments and to invest in markets and financial products, as determined by this Board.
17. The Board has responsibility for determining the proportion of funding to be invested in securities, such as equities and bonds etc. following the funding allocation from the Resource Allocation Sub-Committee.

The role of the Property Investment Board

18. The Property Investment Board determines and approves management and investment matters relating to property in accordance with management plans and investment strategies, as agreed by the Policy and Resources Committee. This includes acquiring and disposing of City Corporation property assets.
19. The Property Investment Board must report the activities and performance of its investment property portfolios to the Investment Committee. It is not obligated to report to the Investment Committee on corporate or operational properties, only those that are part of the investment property strategy. These are property investments that are held to generate a return on the investment.

The role of the Investment Committee

20. Where the Policy and Resources Committee has strategic oversight over resource allocation, the Investment Committee has oversight responsibilities in respect of the operational functions of the Property and Financial Investment Boards.
21. The two Investment Boards must report back to the Investment Committee, as outlined in the Committee's work programme.

Conclusion

22. As the report outlines, the role of the Investment Committee is to have oversight over the operational decisions taken by the Property and Financial Investment Boards.
23. The Policy and Resources Committee has oversight over the allocation of resources, including financial, in accordance with the City Corporation's strategic priorities.

Appendices

Appendix A – The terms of reference for the following Committees and Boards:
Policy and Resources Committee; Resource Allocation Sub-Committee;
Investment Committee; Financial Investment Board; and the Property
Investment Board.

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