

Committee: Financial Investment Board	Date: 25 November 2020
Subject: Risk Register for Financial Investment Board	Public
Report of: The Chamberlain	For Decision
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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. Officers have conducted a preliminary review of the Risk Register and recommend that the current scores for two risks are changed to reflect changes in the risk environment over the past six months:

- CHB FIB 01 (Insufficient assets) – the current score has been reduced from 12 to 8 as the three Funds have recovered in value since Q1 and are now ahead of the long term absolute return targets.
- CHB FIB 07 (Failure to discharge responsible investment duties) – the current score has been increased from 4 to 6. The Board’s activities have not regressed in any way but officers judge that the likelihood of reputational risk materialising has increased due to the public status of its new climate commitments.

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 3 June 2020, 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.

Review of Risks

3. The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy approved by the Audit and Risk Management Committee in May 2014. The City of London Corporation risk matrix, which explains how risks are assessed and scored, is attached at Appendix 1 of this report. Risk scores range from one, being lowest risk, to the highest risk score of thirty-two. These scores are summarised into 3 broad groups, each with increasing risk, and categorised "green", "amber" or "red".
4. The Risk Register to be reviewed is set out in Appendix 2.

Update on risks

5. The Risk Register contains seven risks which are summarised below. 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. The risks are ranked by current risk score.

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	8			
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 07	Failure to discharge responsible investment duties	6			
CHB FIB 03	Service provider failure - Pension Fund, City's Cash and Bridge House Estates	4			

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
CHB FIB 05	Insufficient Cash - Treasury Management	4			
CHB FIB 06	Governance	4			

6. Officers have reviewed the Risk Register and consider that the risk environment has changed since the Board last reviewed the Register in July 2020. This is manifested in two of the Board’s key risks:

a. **CHB FIB 01 (Insufficient assets)** – the current score for this risk was increased from “8” to “12” in June 2020 due to the impact of Covid-19 on financial markets in Q1 2020. The three main Funds’ asset performance has been relatively strong over the past six months and all three Funds have recovered in value and are now ahead of their absolute return targets over the long term. Consequently, the current risk score has been returned to “8” and 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 decreased from “possible” to “unlikely”. There is clearly still uncertainty over the ultimate impact of Covid-19 on the global economy and financial asset prices and the change in risk score does not imply that these risks have been eradicated.

b. **CHB FIB 07 (Failure to discharge responsible investment duties)** – the current score for this risk has changed from “4” to “6”. Since the last risk review, the Corporation has published a Climate Action Strategy. The Board will play a crucial role in delivering the goals within the strategy and the increased score reflects the elevated reputational risk arising from the public nature of these commitments.

7. 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.

8. As a result of the review, officers consider that the four 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.

9. Officers have also considered whether any new risks have emerged since the last review. Although the Board’s operating environment continually changes officers have determined that the existing Register captures the material risks facing the Board and enables the Board to concentrate on the most prescient risks.

10. 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

11. 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

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