

# CHB FIB Detailed risk register EXCLUDING COMPLETED ACTIONS

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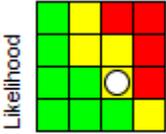
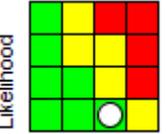


Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CHB FIB 01</b> <b>Insufficient assets - Pension Fund, City's Cash and Bridge House Estates</b>	<p><b>Cause:</b> 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><b>Event:</b> There are insufficient assets to meet liabilities or expenditure requirements.</p> <p><b>Effect:</b> 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>	<p>Likelihood</p> <p>Impact</p>	<b>8</b>	<p><u>The Pension Fund's absolute return target has been set at 5.2% annually from 1st April 2020 whilst the absolute return targets for City's Cash and Bridge House Estate are both currently set at CPI +4%. All three funds have recovered strongly following the Covid-19 driven downturn in markets in the first quarter of 2020. Although there remains considerable uncertainty about the ultimate impact of the pandemic on the global economy and financial markets, the strength of the recovery to date has meant that all three Funds are now meeting their absolute return targets over the long term. Therefore, the score for this risk has been updated to reflect the judgement that the likelihood of this risk materialising is now "unlikely" rather than "possible".</u></p>	<p>Likelihood</p> <p>Impact</p>	<b>8</b>	31-Mar-2021	

08-Mar-2018 Peter Kane				<u>12 Nov 2020</u>					Decreasing
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB FIB 01a	The Investment strategy of the Pension Fund, Bridge House Estates and City's Cash is reviewed at least every three years by the Financial Investment Board.	The Pension Fund's triennial 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 Pension Fund investment strategy was reviewed following the 2019 triennial valuation and approved by the Financial Investment Board on 13 July 2020. The Bridge House Estates investment strategy is currently being reviewed for property and financial investments and is expected to be reviewed by the Investment Committee in January 2021. The City's Cash investment strategy is due to be reviewed.</u>	Caroline Al-Beyerty; Kate Limna	12-Nov-2020	20-Jan-2021
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	12-Nov-2020	31-Mar-2021

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB FIB 04 Counterparty failure - Treasury Management  08-Mar-2018 Peter Kane	<b>Cause:</b> External events, including cybersecurity incidents, threaten the solvency of counterparties the Corporation has lent to. <b>Event:</b> Failure of counterparty to fulfil obligation to the Corporation, i.e. default on repayments. <b>Effect:</b> Asset valuations at risk.	 Likelihood Impact	8	Treasury Management Strategy Statement was agreed at Court of Common Council on 5th March 2020. <u>COVID-19 has impacted the domestic economy and it is more important than ever to focus on the financial standing of the Corporation's treasury counterparties. The current Treasury Management Strategy restricts lending to only high-quality counterparties and remains fit for purpose.</u> <b>12 Nov 2020</b>	 Likelihood Impact	4	31-Mar-2021	Constant

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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.  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.  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. These funds have fully recovered in value over the summer. The short dated bond fund investments are much longer term in nature and therefore the Corporation has a greater tolerance for volatility in returns.  Officers also continue to monitor changes in the credit standing of direct counterparties via	James Graham; Kate Limna	12-Nov-2020	31-Mar-2021

		ratings changes from the three main credit rating agencies and other news.			
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.	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.	James Graham; Kate Limna	12-Nov-2020	31-Mar-2021
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	12-Nov-2020	31-Mar-2021





			owner	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>The Board received the PRI's 2020 assessment at its meeting in September 2020 which evidenced an improvement in the Corporation's standing with the PRI. A new framework was launched in November 2020. Officers are in the process of reviewing the new framework and preparing towards submission in March 2021.</u>	James Graham; Kate Limna	12-Nov-2020	31-Mar-2021
CHB FIB 07c	As part of the regular management and monitoring of investment mandates, the Board and responsible officers challenge investment managers on ESG issues arising in the portfolio. The Investment Consultant reports to the Board on its monitoring of ESG risks on a quarterly basis.	The Board 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.	James Graham; Kate Limna	19-May-2020	31-Mar-2021
<u>CHB FIB 07e</u>	<u>The Board has committed to meeting the standards of the new 2020 UK Stewardship Code and needs to ensure compliance is developed. The Board reviews asset stewardship across its investment mandates on an annual basis and uses the exercise to encourage better ESG outcomes amongst its existing managers.</u>	<u>The Board has established an asset stewardship plan to help develop compliance towards the new UK Stewardship Code with an aim to publish its first Annual Stewardship Report in Q1 2022. The plan includes various other actions that will help the Board develop its responsible investment role and manage climate risks.</u>	James Graham; Kate Limna; Divindy Grant	13-Nov-2020	28-Feb-2022
<u>CHB FIB 07f</u>	<u>The Board has been assigned several key actions which will enable the Corporation to deliver its Climate Action Strategy. Key to this is achieving a clear plan on how to achieve Paris-alignment by 2040.</u>	<u>A programme of officer-level meetings with the Board's appointed managers has been planned for Q4 2020 / Q1 2021 to discuss implementing the climate commitments and further understanding current exposure and available disclosures. Officers are also assessing the need for third party analysis to support planning towards net zero. Relevant training opportunities for the Board are being actively explored.</u>	James Graham; Kate Limna; Divindy Grant; Simi Shah	13-Nov-2020	31-Mar-2021



		<u>not impacted the Corporation's investments and that remedial action has been escalated to a senior level at LFS.</u>			
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	12-Nov-2020	31-Mar-2021



CHB FIB 05d	A balance sheet review exercise enables the Corporation to further understand the likely timing of any future need to liquidate long term investment assets or external borrowing requirement.	Officers plan to conduct a balance sheet review using the 2019/20 accounts and based on the outcome of the medium-term financial planning process that is currently underway.	James Graham; Kate Limna	12-Nov- 2020	09-Feb- 2021
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CHB FIB 06d	External professional advice sought where required.	Investment consultants provide focused training sessions as and when required. <u>Training was provided on 3 June 2020 when the Investment consultant led a review of the Pension Fund investment strategy. Training was also provided by FTSE Russell on 16 September 2020 on the subject of sustainable index funds.</u>	James Graham; Kate Limna	12-Nov-2020	31-Mar-2021
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	12-Nov-2020	31-Mar-2021