

<b>Committee:</b> Financial Investment Board	<b>Dated:</b> 31 May 2022
<b>Subject:</b> Risk Register for Financial Investment Board	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>All</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>£N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> 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. Officers have conducted a preliminary review of the Risk Register and recommend that the current scores for all risks are maintained at their existing levels with the exception of risk 1 (insufficient assets) which has been revised upwards in recognition of the challenging investment environment facing institutional investors such as City's Cash, given the current macroeconomic backdrop.

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 Board's current terms of reference no longer refer to the investments of the Pension Fund (which will be overseen by the new Pensions Committee) nor the Bridge House Estates (which has held responsibility for managing the financial investments of the Bridge House Estate since 15 April 2021). Officers have amended the register to remove reference to both of these funds.

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



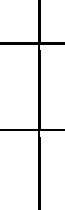











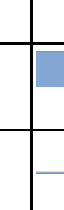





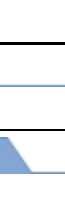
1. The Financial Investment Board instituted a Risk Register on 22 March 2018 to help identify and manage the strategic risks facing the Board in discharging its responsibilities to oversee the City's non-property investments. The current Risk Register, as agreed by the Board on 20 May 2021, is included as Appendix 2.
2. From the current municipal year, the Board's terms of reference no longer refer to the investments of the Pension Fund nor the Bridge House Estates.
3. 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

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

Table 1: Risk Summary

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
CHB FIB 01	Insufficient assets - City's Cash	12			
CHB FIB 04	Counterparty failure - Treasury Management	8			
CHB FIB 02	Targeted returns - City's Cash	6			
CHB FIB 03	Service provider failure	4			
CHB FIB 05	Insufficient Cash - Treasury Management	4			
CHB FIB 06	Governance	4			
CHB FIB 07	Failure to discharge responsible investment duties	4			

6. The Risk Register contains seven risks which are summarised above. In the table, “Current Risk Score indicator” displays the current “RAG” rating for each risk, “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.
7. Officers have reviewed the Risk Register to establish whether the risk environment has changed. Most scores have been maintained at their previous levels but the score for risk 1 (insufficient assets) has been increased from 8 to 12 on the basis that the likelihood of this risk materialising is judged to have changed from “unlikely” to “possible”. This change reflects the more challenging investment horizon facing institutional investors such as City’s Cash given the current macroeconomic backdrop. The scores for all 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 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.
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. The Board’s current terms of reference no longer refer to the investments of the Pension Fund (which will be overseen by the new Pensions Committee) nor the Bridge House Estates (which has held responsibility for managing the financial investments of the Bridge House Estate since 15 April 2021). Officers have amended the register to remove reference to both of these funds.
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

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