

Committee: Financial Investment Board	Date: 24 May 2018
Subject: Risk Register for Financial Investment Board	Public
Report of: The Chamberlain	For Decision
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Summary

A draft Risk Register was presented to the March 2018 Financial Investment Board for considered. Members provided feedback and requested amendments be made and for the revised Risk Register to be brought back to the next Board meeting.

Attached at Appendix 2 is the revised Risk Register with the proposed amendments highlighted. The Risk Register is to be reviewed bi-annually by the Financial Investment Board and more regularly on an exceptions basis to ensure any new risks, or material changes in current risks, are identified quickly and that appropriate measures are in place to mitigate those risks.

Recommendations

Members are asked to review the amended risks and actions for the Financial Investment Board’s revised Risk Register and confirm that appropriate control measures are in place.

Main Report

Background

1. At the Financial Investment Board meeting on 22 March, Members reviewed the proposed Financial Investment Board Risk Register. At the meeting Members agreed that the Risk Register would be reviewed bi-annually by the Board and on an exceptions basis to ensure that the existing risks are reconsidered and any new risks identified. Officers were asked to amend some of the risks following feedback from Members and to bring a revised Risk Register to the next Board meeting.

Review of Risks

2. The Risk Register is combined for City Fund, the Pension Fund, City’s Cash and Bridge House Estates as the same key risks exist across these entities. 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.

Amendments

3. The revised Risk Register is attached at Appendix 2 and the amendments have been highlighted. In summary these are as follows:
 - **Risk 1** has been amended to reflect the agreed amendment of City’s Cash and Bridge House Estates return targets from 1st April 2018 to CPI + 4%

(from RPI + 4%) agreed by Financial Investment Board as part of the initial Investment Strategy Review for City's Cash and Bridge House Estates at March's Board meeting.

- **Risk 2** has been broadened to incorporate the cause components that prevent the Funds from achieving their overall return targets, namely that the
 - the Financial Investment Board appoints unsuitable fund managers,
 - individual fund managers underperform against the benchmarks agreed by the Board,
 - aggregate fund manager performance fails to achieve the Board's targets

This is mitigated by regular monitoring of both the investment manager performance against appropriate benchmarks and the aggregate performance against Fund's targets, by the Financial Investment Board throughout the year. When appropriate, investment managers are also invited in to meet with Members and officers to explain their performance.

The target risk rating and score has also been amended to a likelihood scoring of 3 (previously 2) and an impact scoring of 2 to give an overall scoring of 6. This is to reflect that even through mitigations, the Financial Investment Board will have limited capacity to actively influence individual fund manager's performance.

- **Risk 4** has been amended to reflect the agreement of the Court of Common Council to the Treasury Management Strategy Statement for 2018/19.
- **Risk 6** has been amended to include regulatory breach (under Event) and potential regulatory fine (under Effect)

Conclusion

4. The Board is requested to review the risks and confirm that appropriate control measures are in place for these risks and that there are no other risks that should be added to the FIB Risk Register.

Appendices

- Appendix 1 - City of London Corporation Risk Matrix
- Appendix 2 – Financial Investment Board Risk Register

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