



**Subject** Investment Strategy  
**Purpose** To Note  
**From** Marc Stoner, Head of Finance and Resources

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## 1. Summary

The Board, at its November 2017 meeting amended its Investment Strategy by changing its risk profile from 'Lower' to 'Lower to Medium'. This in turn increased its exposure in equities from up to 25% to up to 50% and the suggested investment period increased from 1 year or more to 3 years or more.

The Registrar & Chief Executive and Head of Finance and Resources met with ARB's Investment Broker (James Malcolmson, Quilter Cheviot) on 14 December 2017. At that meeting they established the Broker's proposed strategy to implement the revised Investment Strategy set by the Board, and agree which funds should be available to the Broker that could be committed for an increased investment period of 3 years or more.

It was established that ARB needs to retain approximately £2.3m for working capital, which will cover operating costs over the next 7 months (approximately £320k per month to operate).

A requirement of the Ministry of Housing, Communities and Local Government is that ARB is required to hold, in reserves, the cost of closure (approximately £3.7m). Taking into consideration the forthcoming decision on whether to exercise the break clause on the lease at Weymouth Street, it was felt prudent to not to commit all of the closure costs in a longer term investment, as some of those funds may be required to fund the Board's decision in relation to property and a possible relocation.

If a decision to re-locate from Weymouth Street is taken by the Board, ARB could potentially require £1.5 million within 12 months (estimated at £700k redundancy costs and £800k office move costs).

It was therefore established that £2.5m could be invested in equities. This is a longer term reserve which can tolerate the risk and volatility that equities have, resulting in an opportunity of better long term capital appreciation. It was agreed that this would allow the Broker to increase the equity exposure to around 40%, well within the remit of the revised Investment Strategy.

Once further details are established in relation to the potential move and the potential costs associated, the Head of Finance can provide further information to the Broker and it may be prudent to increase the equity exposure to the 50% ceiling.

Given ARB is currently holding additional funds of approximately £1.5m within its NatWest bank accounts, it would be prudent to split the cash holding between two banking

institutions rather than have it all at in NatWest. Work will commence to establish a further bank account with another institution such as HSBC.

## 2. Open

## 3. Contribution to the Board's Purpose and Objectives

In delivering the Act, ARB's objectives are:

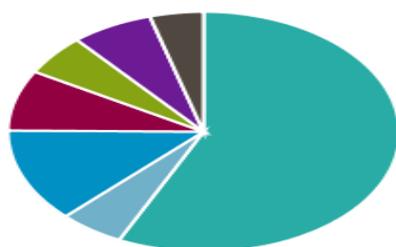
Protect the users and potential users of architects' services

Support architects through regulation.

To manage the organisation's finances prudently whilst delivering ARB's statutory requirements and objectives.

## 4. Background

- i. The current value of the assets placed with Quilter Cheviot as of 26 January 2017 was £7,409,719.
- ii. These assets are split as follows:



Fixed Interest - United Kingdom	57.13%
Fixed Interest - Overseas	5.43%
Equities - United Kingdom	12.59%
Equities - North America	8.23%
Equities - Europe ex UK	5.44%
Equities - Global	6.8%
Cash	4.37%

- iii. A revised Investment Strategy/Treasury Management is being drafted by Russell Cooke and will be bought back to the Board later in the year for approval. This new document will allow ARB to test the marking on Broker arrangements later in the year

## 5. Resource implications

With any change in strategy, it is inevitable that costs will increase as a result of the transaction fees associated with buying and selling of investments. In order to mitigate some of the fees, the funds transferred to the Broker in January 2018 (£1.2m) will be used to move to the new Investment Strategy. There will also be an increase in resources which will be covered within existing budget.

## 6. Risk Implications

There is obviously risk in any form of investment but an element of risk should be considered by the Board in order to achieve a return beyond what could be achieved by simply holding cash. The Board buys in its investment expertise, it should be guided by the

advice of the Broker, unless it feels it has a valid reason not to do so and requires further advice.

Given the additional cash being held as outlined above, a new bank account is being established to mitigate some of the risk of all of the funds being held with one single institution. As previously discussed, holding numerous of bank accounts would be resource intensive and maybe disproportionate.

**7. Communication**

ARB is committed to seeking cost-saving initiatives to help ensure value for money balanced with prudent management of ARB's financial resources contribute towards maximising cost savings.

**8. Equality and Diversity Implications**

None currently identified.

**9. Further Actions**

The Head of Finance and Resources will continue to work with the Broker to ensure that the Boards Investment Strategy is met.

The Head of Finance and Resources will seek to establish a further bank account with a separate institution from its existing bank (likely to be HSBC).