

| | |
|---|------------------------|
| Committee(s) | Dated: |
| Finance Committee | 13 April 2021 |
| Subject: Chamberlain's Department Risk Management – Monthly Report | Public |
| Does this proposal require extra revenue and/or capital spending? | No |
| If so, how much? | N/A |
| What is the source of Funding? | N/A |
| Has this Funding Source been agreed with the Chamberlain's Department? | N/A |
| Report of: Chamberlain | For Information |
| Report author: Leah Woodlock, Chamberlain's Department | |

Summary

This report has been produced to provide Finance Committee with an update on the most significant risks faced by the Chamberlain's department.

There is currently one RED risk on the Corporate Risk Register within the responsibility of Chamberlain's Department, there are no RED risks currently listed on the departmental risk register. Please see the RED corporate risk listed below:

- **CR23 – Police Funding**

It is now proposed to reduce the risk to amber, while continuing to monitor as a Corporate risk for the next 6 months, which allows for re-escalation if further mitigations are required.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain's risk register on a quarterly basis with update reports on RED rated risks at the intervening Committee meetings.

Current Position

2. This report provides an update on the current RED risk that exists in relation to the operations of the Chamberlain's department and any risks that have been reduced from red since the last update.

CR23 – Police Funding (Current Risk: Amber – proposed change)

3. Audit and Risk Management Committee in January 2021 undertook a deep dive on CR23. While CoLP financial risks will require continued monitoring, a balanced budget is being set for 21/22, including the additional 12% savings requirement. It is therefore proposed to reduce the risk to 'amber' and continue to monitor as a corporate risk for the next 6 months, allowing for re-escalation if further mitigations are required. Then, subject to financial management being assessed as on a sustainable footing, to incorporate relevant elements into the Corporation's Medium-Term Financial Plan risk (CR35) and devolve it to the Police Authority Board risk register.

CR35 – Unsustainable Medium-Term Finances (Current Risk: Amber – reduced from Red)

4. A deep dive report of CR35 (circulated as a separate report) was taken to March Audit & Risk Management Committee, where Members agreed to de-escalate this risk score from a red (24) to the target score of amber (12) following a recommendation from the Chamberlain.

Conclusion

5. Members are asked to note the actions taken by Chamberlain's Department to manage the one RED finance risk. Actions aim to continue monitoring and reducing the risk level and will be reported on at future Finance Committees.

Appendices

- Chamberlain's Department Risk Register

Background Papers

Appendix 1 - CHB Corporate and Departmental Risk Register

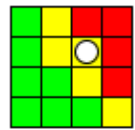
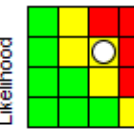
Leah Woodlock

Chamberlain's Department

T: 020 7332 1113

E: leah.woodlock@cityoflondon.gov.uk

Report Author: Leah Woodlock
Generated on: 24 March 2021

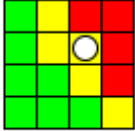
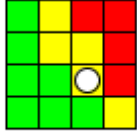

| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Updated Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|--|--|---|----|--|---|----|---------------------------------|--|
| CR23 Police Funding | <p>Cause: Reduction in government funding, workforce costs and growing demand in Policing services leading to pressures for the City Fund -Police.</p> <p>Event: Reduction in government funding. Failure to deliver VfM savings. Budget deficit forecast for next 5 years requiring action to balance the budget</p> <p>Effect: Potential impact on security and safety in the City as need to make savings, prioritise activity, review funding City of London Police will be unable to maintain a balanced budget and current service levels as reflected in their Medium Term Financial Plan.</p> |  <p>Likelihood</p> <p>Impact</p> <p><i>Proposed</i></p> | 12 | <ul style="list-style-type: none"> • Updated MTFP prepared for February Police Authority Board in light of 21/22 Home Office settlement and the CoLC 12% savings requirement. Assumes that future funding settlements not inflation linked and use of £4m underspend to advance repayment of Action Fraud loan. Balanced budget being set for 21/22. In subsequent years MTFP shows growing deficits across medium-term. • Key risks to Police finances include future Action Fraud costs, savings identification and delivery, reduction in Counter-Terrorism funding and potential COVID 19 impacts on commercial income sources and Business Rate Premium intake. |  <p>Likelihood</p> <p>Impact</p> | 12 | 31-Mar-2021 | ↓ |
| 21-Nov-2016 | | | | 24 Mar 2021 | | | | |

Appendix 1

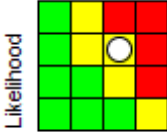
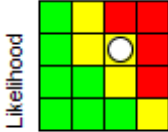

| | | | | | | | | |
|--------------------------|--|--|--|--|--|--|--------|------------|
| Ian Dyson; Peter Kane | | | | | | | Reduce | Decreasing |
|--------------------------|--|--|--|--|--|--|--------|------------|

| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-----------|--|---|--------------|------------------|-------------|
| CR23g | Implement sustainable medium-term financial settlement for CoLP: - Revenue position, Capital financing | Loan based capital financing model implemented for 20/21. Balanced budget being set for 21/22 Savings plans need to be developed for future year deficits, plus Action Fraud and other pressures / risks. | | 24-Mar-2021 | 31-Mar-2021 |

Appendix 1

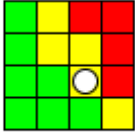
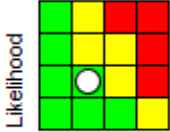

| Risk no, title, creation date, owner | Risk Description (Cause, Event, Impact) | Current Risk Rating & Score | | Risk Update and date of update | Target Risk Rating & Score | | Target Date/Risk Approach | Current Risk score change indicator |
|---|---|--|----|---|---|---|---------------------------|---|
| CR16 Information Security (formerly CHB IT 030) 10-May-2019 Peter Kane | Cause: Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information. Event: The City Corporation does not adequately prepare, maintain robust (and where appropriate improve) effective IT security systems and procedures. Effect: Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 2018. Incur a monetary penalty of up to €20M. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body. |  Likelihood | 12 | Regular security updates have been provided to relevant people throughout COVID. All Staff Mandatory Security training to be held in March. Submitted to the Cabinet Office. 07 Mar 2021 |  Likelihood | 8 | 30-Jun-2021 |  Constant |
| | | | | | | | Reduce | |

| Action no | Action description | Latest Note | | Action owner | Latest Note Date | Due Date |
|-----------|--|---|--|----------------------|------------------|-------------|
| CR16j | CR16j An update IT Security Roadmap has been developed which has informed work activity for 20/21 and a capital bid for new security tools. | The staff training and awareness of IT security continues during 20/21 under the oversight of the Information Management Board led by our SIRO Michael Cogher. Security campaign to be run in Oct 2020. During COVID regular security messages being sent out. The NCSC training to be rolled out to all staff. | | Gary Brailsford-Hart | 07-Mar-2021 | 31-May-2021 |
| CR16k | Final stages of completing information security projects which will mean that we can assure Members that the City of London Corporation has implemented all the national government recommended security practices and technology achieving a maturity level of 4. | New Security Projects being planned to fit the funding of £250K that was allocated. Gateway paper will be submitted | | Gary Brailsford-Hart | 07-Mar-2021 | 31-May-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/Risk Approach | Current Risk score change indicator |
|--|--|--|----|---|---|----|---------------------------|---|
| CR35 Unsustainable Medium-Term Finances 19-Jun-2020 Caroline Al-Beyerty | Causes: Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile Normal course of business unable to function due to COVID 19 restrictions BREXIT compounding market uncertainty and exacerbating the economic downturn. Major contraction in key income streams and increase in bad debts. In particular that lower occupancy levels in city properties reduce investment property income over the medium term. Police Transform programme fails to realise the budget mitigations anticipated Reduction in the value of investments- property and securities- reduces available capital for major project financing. Event: Inability to contain financial pressures within year (2020/21) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised. Effects: Additional savings over and above those identified through the Fundamental Review to meet this challenge are required and/or closure in some areas reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Being unable to set a balanced budget which is a statutory requirement for City Fund. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Capital projects stalled due to COVID restrictions. Stakeholders experiencing reduced services and service closures. |  Likelihood Impact | 12 | The A&RMC agreed to de-escalate this risk score from a red 24 to an amber 12 following a recommendation from the Chamberlain. (see A&RMC report of 23 March 2021) 23 Mar 2021 |  Likelihood Impact | 12 | 31-Mar-2021 |  Decreasing |
| | | | | | | | Accept | |

| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-----------|--|--|-----------------------------|------------------|-------------|
| CR 35a | A reduction in key income streams and increase in bad debt | This is being monitored monthly, with action being taken to reduce spend where possible. Budget forecast for 21/22 includes reduced income, with recovery profiled across the medium term. | Sonia Virdee | 24-Mar-2021 | 31-Mar-2021 |
| CR 35b | To reduce strain on cash flow. | <ul style="list-style-type: none"> The Corporation remains very liquid and the outlook for near term cash flows is robust. Cash flowing modelling for major commitments is being carried out. Next tranche, £200m, of private placement monies for City's Cash will be in July 2021. | James Graham; Sonia Virdee | 24-Mar-2021 | 31-Mar-2021 |
| CR 35c | Increased expenditure related to COVID measures- maximise recovery from government | <ul style="list-style-type: none"> Maximising recovery from government- spend is being coded and monitored. Estimated claim of up to £11.7m for loss of fees & charges on City Fund. Total claim made to date is £5.3m (£1.5m received for qtr1 and £3.8m pending). Furloughing workers where appropriate has been done recovering £4m to end of January | Sonia Virdee | 24-Mar-2021 | 31-Mar-2021 |
| CR 35d | Inability of occupiers to pay rates as their income falls as business models are damaged. A reduction in demand for office space in the square mile, leading to lower occupation and business rate income. The Corporation is currently benefitting from growth in business rates retained income of c£40m. Non-payment of rates across London leading to difficulties in meeting cash flow payments as host of the pool. | <ul style="list-style-type: none"> Monthly monitoring in place. The impact of COVID-19 has been to lower the collection rate for business rates. Collection now 4.9% below previous year, an improvement from 6% in December. The Govt has recognised the cashflow impacts of business rates and has deferred its share for April-June, which has been re-profiled over the remainder of the year. The Govt is also allowing authorities to spread the impact of business rate deficits over 3 years. The impact of business rate appeal linked to COVID could be significant. Not clear what the approach will be from the VoA. Liaising with MHCLG on potential solutions. Impacts will continue to be monitored. | Phil Black | 24-Mar-2021 | 31-Mar-2021 |
| CR 35e | Impact on investments: securities/property | <ul style="list-style-type: none"> The values of the three main financial investment portfolios have continued to grow steadily COL's Pension Fund contributions are fixed until 2023, providing some protection, whilst the diversified asset allocation strategies and use of active management across all three funds should continue to deliver some stability if general market moves become extreme again. Our voids have not increased significantly, the latest vacancy report, as at 1st December, showed our vacancy rate was 2.52%, which was lower than the City vacancy rate of 5.1% and the West End vacancy rate of 5.9%. There was a slight increase of 15,232 sq ft in vacant space from 1st June to 1st December. | Nicholas Gill; James Graham | 24-Mar-2021 | 31-Mar-2021 |
| CR 35f | Impact on the MTFP | <ul style="list-style-type: none"> Lower investment income modelled into MTFP and business rate reset in 22/23. Sums to mitigate risk are being held in Reserves- £30m on City Fund and £20m on BHE. Already drawing down on City's Cash Reserves by £526m across the planning horizon to 2024/25 (which is sustainable given modelling of balance sheet recovery) | Caroline Al-Beyerty | 24-Mar-2021 | 31-Mar-2021 |

| | | | | | |
|--------|--|--|-----------------|-------------|-------------|
| | | <ul style="list-style-type: none"> • FR proposals affecting staff put into abeyance during CoLC's response to Covid-19. • FR proposals affected by COVID have been reprofiled. | | | |
| CR 35h | To implement the Fundamental Review project plan-TOM | <ul style="list-style-type: none"> • FR proposals affecting staff put into abeyance during CoLC's response to Covid-19. • The Flexible Retirement Scheme for those aged 60+ is currently being implemented. • Other savings relating to organisation design and an associated reduction in headcount are expected to begin from the new financial year, with full year impact in 2022/23. | Chrissie Morgan | 24-Mar-2021 | 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/Risk Approach | Current Risk score change indicator |
|--|--|--|---|---|---|---|---------------------------|---|
| CHB IT 004 Business Continuity 30-Mar-2017 Sean Green | Cause: A lack of robust infrastructure and restore procedures are not in place on aging infrastructure. Secondly, there is a lack of resilient or reliable Power services or Uninterruptable Power Supply (UPS) provision in multiple Comms rooms and datacentres in COL and COLP buildings. Event: The IT Division cannot provide assurance of availability or timely restoration of core business services in the event of a DR incident or system failure. There will be intermittent power outages of varying durations affecting these areas/buildings. Effect: The disaster recovery response of the IT Division is unlikely to meet the needs of COL leading to significant business interruption and serious operational difficulties. <ul style="list-style-type: none"> • Essential/critical Systems or information services are unavailable for an unacceptable amount of time • Recovery of failed services takes longer than planned • Adverse user/member comments/feedback • Adverse impact on the reputation of the IT division/Chamberlain's Department |  Likelihood Impact | 8 | All but one critical services have no been migrated to Microsoft Azure, providing greater resilience therefore Business Continuity and recovery from a DR event. Part of the Agilisys Contract requires Agilisys to provide a BC/DR plan by the end of March, which will form the basis of the wider IT BCDR Plan and should provide clarity of the procedures for COL and COLP's critical services. 12 Mar 2021 |  Likelihood Impact | 4 | 30-Jun-2021 |  Constant |
| | | | | | | | | |

| Action no | Action description | Latest Note | Action owner | Latest Note Date | Due Date |
|-------------|---|---|---------------|------------------|-------------|
| CHB IT 004k | RPO and RTO of Critical Apps | Following the Migration into Azure of COL's applications and services, the RPO and RTO capabilities will be redefined once optimisation and consolidation has taken place. COL IT Believe these new capabilities will exceed the current requirements, but these will be confirmed with the business owner for each Critical application and adjustments made where required. | Matt Gosden | 12-Mar-2021 | 30-Jun-2021 |
| CHB IT 004l | Gateway paper to be drafted to release funds for UPS work | Gateway 1-4 paper approved at Committee in December 2020. GW5 in progress following kick off meeting with relevant supplier. | Matt Gosden | 12-Mar-2021 | 30-Jun-2021 |
| CHB IT 004m | Repurpose GJR Comms Room | Spatial and CBIS have been successfully migrated from IAAS/GJR, work is ongoing on the telephony solution | Kevin Mulcahy | 12-Mar-2021 | 30-Apr-2021 |
| CHB IT 004n | Produce IT-wide BC/DR Plan | Based on the Agilisys-specific plan to be delivered by end Match 2021, develop an IT-wide BCDR Plan, including at least three critical services. | Matt Gosden | 12-Mar-2021 | 31-Oct-2021 |

