

Committee(s)	Dated:
Finance Committee	21 September 2021
Subject: Chamberlain's Department Risk Management – Quarterly Report	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	7
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 and the Chief Operating Officer	For Information
Report authors: Hayley Hajduczek Samantha Kay	

Summary

This report is the quarterly update Finance Committee on the risks and their management by the Chamberlain's and Chief Operating Officer's departments. The Senior Leadership Teams regularly review the risks as a part of the management of the respective departments. The Chamberlain's department currently has two corporate risks and no departmental risk on its risk register, to be reviewed by the new Senior Leadership Team at their next meeting. The Chief Operating Officer's Department currently has two corporate risks and two departmental risks on its risk register that report to this committee. One risk CHB IT 031 IT Revenue Budget has been moved to red in this update under Chief Operating Officer (IT).

This report also details the automatic triggers that have been put in place to indicate and monitor the performance of the CR35 Unsustainable Medium-Term Finances risk, if triggered the risk score will regress to red from its current amber rating.

The Chamberlain's and Chief Operating Officer's Senior Leadership Teams continue to closely monitor the progress being made to mitigate all risks.

Recommendation(s)

Members are asked to note the report.

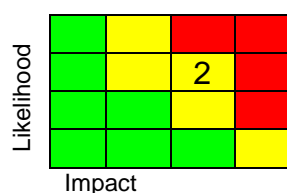
Main Report

Background

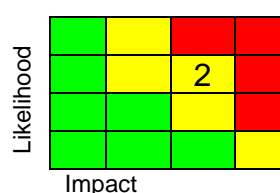
1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain's risk register on a quarterly basis with update reports on RED rated risks at the intervening Committee meetings. As we transition into the target operating model the Chief Operating Officer has taken over the management of the IT division from the Chamberlain so this report has been written jointly by both departments.
2. Chamberlain's risk management is reviewed on a monthly basis at Departmental Senior Leadership Team (SLT) meeting. Consideration is also given as to whether there are any emerging risks for inclusion in the risk register within Divisional updates on key issues from each of the Directors, ensuring that adequate consideration is given to operational risk. The IT division also monitor their risks in this manner at the monthly Management Team meeting.
3. Risk and control owners are regularly consulted regarding the risks for which they are responsible, with updates captured accordingly. Significant changes to existing risks are escalated to respective SLTs when identified.
4. Since the last Quarterly Risk Register update in May 2021, the Chamberlain's department no longer manages the corporate risk CR16 Information Security (formerly CHB IT 030) or other IT related departmental risks these are now managed by the Chief Operating Officer. The Chamberlain's department continue to maintain CR23 Police Funding and CR35 Unsustainable Medium-Term Finances.
5. The Audit & Risk Management Committee and this Finance Committee agreed in March and April 2021, that the CR35 **Unsustainable Medium-Term Finances** risk could be reduced from a Red score to an Amber score. The agreement is based on the understanding that it could be re-escalated again in the event of a material change in the external environment or delays in internal mitigations. This is being monitored against a set of automatic triggers as outlined in the report below.

Summary of Risks

6. The heatmap for all Chamberlain's corporate and departmental risks is as below:

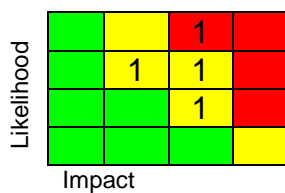


Previous quarter heatmap

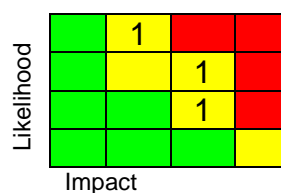


7. The heatmap for all Chief Operating Officer's corporate and departmental risks is as below:

Current heatmap



Previous quarter heatmap



8. The Chamberlain's department currently has two corporate risks and no departmental risk on its risk register, attached as Appendix 1 to this report, assessed as 2 AMBER risks. The CR23 Police Finance amber corporate risks will be reviewed in November 2021 with the intention to amalgamated into the CR35 risk for completeness.
9. The Chief Operating Officer's Department currently has two corporate risks and two departmental risks on its risk register that report to this committee. The following risks are currently on the risk register:

CR35 Unsustainable Medium-Term Finances (Current Risk: Amber – no change)

10. This risk continues to be closely monitored over four main areas against agreed triggers highlighted below. In addition, £30m reserves are held back to assist mitigate any risks:

Business Rates

Triggers:

- Change to business rate reset a further deferral will result in a positive impact.
- Shift from commercial to residential.
- Reduction in Rateable Value.
- Changes to methodology in business rate calculations.
- Alternative funding sources e.g. sales tax.

Spending review

Trigger:

- Any changes to funding arrangements below the baseline.

Rental Income

Trigger:

- Increase in loss of income over £5m p.a.

Achievement of savings flightpath (including Fundamental Review and 12%)

Triggers:

- Delays/Reduction to 12% savings.
- Delays/Reduction to fundamental review savings.

None of these triggers have been met throughout August allowing the risk to remain at an amber rating. But with a global pandemic and uncertain economic position, pressures and risks for the City Corporation's finances will continue into the 2021/22 fiscal year and beyond.

CR23 Police Funding (Current Risk: Amber – No change)

11. The March Finance Committee agreed to reduce the risk rating from red to amber following the setting of a balanced budget for 21/22. Although previously agreed that this risk was to be re-evaluated in September, it has now been agreed that this review will take place in November. This is due to the joint City of London Police and Police Authority review of the opportunities within the CoLP budget to mitigate significant new pressures. This report is to be presented to October 2021 Police Authority Board and Budget Bilateral, alongside assumed reinstatement of £2.3m Business Rate Premium funding in 22/23. This will enable a more informed assessment of the risk to be provided in November 2021, subject to the triggers below not significantly increasing, amalgamated into the CR35 Unsustainable Medium-Term risk.

Triggers:

- Delays/reduction in saving
- Increase or un-mitigated deficit in CoLP MTFP
- Additional or heightened risk in Police projects e.g. Action Fraud
- Significant changes in funding sources

CR 16 – Information Security (Current Risk: Amber – No change)

12. All Staff Mandatory Security training has been completed between April to June 2021 - any non-compliance will be reported. A special one-off IT Cyber check paid for by LGA has been completed with a report due shortly. New PSN Health check commissioned to commence, work started on this 28th June, results will be shared and actions to ensure compliance will be followed through once the report is received.
13. A Gateway Paper is currently under review for further IT Security Investment This is a dynamic risk area and whilst the maturity of 4 is the target, the control scores will go down as well as up as threats, risks and vulnerabilities change.

CR 29 – Information Management (Current Risk: Amber – No change)

14. This risk has previously not been reported to finance committee as it is a risk owned by the Town Clerk but has been reported to Digital Services Sub Committee due to the IT division's involvement so has also been included here for information. New business intelligence dashboards continue to be developed for improved decision making by the Corporate Strategy and Performance team. An updated Information Management Asset register has been populated for the organisation. Plans are being developed for moving unstructured data from Shared Drives to SharePoint is being developed.

CHB IT 004 Business Continuity (Current Risk: Amber – No change)

15. All services have now been migrated into Azure. Agilisys Business Continuity /Disaster Recovery plan has now been provided and is being reviewed internally and will form the basis of the COL IT BCDR Plan. The Gate Way 5 has been sent for approval, the project is poised to start immediately. A project is underway to replace and install new UPSs to the comms rooms/data centres which will provide greater resilience during intermittent power outages.

CHB IT 031 IT Revenue Budget (Current Risk: Red – Previously Amber)

16. A plan has been developed and a governance process is in place enabling tracking and corrective action to be taken. A review of the plan is required to be actioned every 2 weeks. Reviewing all the contracts and services to ensure they are in line with corporation needs and negotiating with suppliers to secure better value for money. Server and storage costs are also being reviewed to optimise the environments ensuring we are.

17. At Month 5, it is estimated that the IT Department will not be within budget at year end. Whilst continuing review of different spend items is being undertaken it is not expected that these will be sufficient, with an estimated overspend of at least £400k.

Appendices

- Appendix 1 Chamberlain's Department Detailed Risk Register

Background Papers

Monthly Reports to Finance Committee: Finance Committee Risk

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CHB Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Hayley Hajduczek




Generated on: 09 September 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
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>	12	<ul style="list-style-type: none"> The inherent Police MTFP pressures have grown in respect of Action Fraud extension and re-procurement and for the known or expected reduction in grants for Counter-Terrorism, TFL and Bank of England. CoLP and Police Authority are assessing mitigation opportunities for Police Authority Board and Budget Bilateral in October 2021, with a further update to follow in January 2022 which will take account of the Spending Review outcomes and 22/23 police funding settlement for CoLP. <p>This will enable a more informed update of CR23 to be undertaken for November 2021, including assessment of the whether or not it can be amalgamated with CR35, with the specific Police MTFP risk being</p>	<p>Likelihood</p> <p>Impact</p>	12	31-Jan-2022	

21-Nov-2016 Caroline Al-Beyerty; Ian Dyson				devolved to the Police Authority risk register. 06 Sep 2021				Constant
							Accept	




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 set for 21/22. Joint CoLP / Police Authority review of the opportunities within the CoLP budget to mitigate significant new pressures to be presented to October 2021 Police Authority Board and Budget Bilateral, alongside assumed reinstatement of £2.3m Business Rate Premium funding in 22/23. This will enable a more informed assessment of the risk to be provided in November 2021. Further update then to be provided in January 2022, taking account of Spending Review outcomes and 22/23 Police Funding Settlement for CoLP.	Alistair Cook	06-Sep-2021	31-Jan-2022

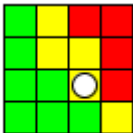
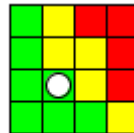
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances 19-Jun-2020 Caroline Al-Beyerty	Causes: 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	<ul style="list-style-type: none"> The risk score is being maintained at amber 12. The proposed triggers agreed by May finance committee have been added to the actions listed below. None of these have been triggered in August 21, close monitoring will continue. A briefing paper, including recommendations on the MTFP was presented at the RASC away day, on 13th July. Monthly monitoring is being undertaken by the finance units to monitor the delivery of TOM and FR savings through 21/22 and across the MTFP (Overall savings update and Deep Dive Reports are scheduled to be presented to E&P Sub Committee. In addition, an establishment tracker against TOM savings, the impact of flexible retirement policies and translation of vacancies into post permanent savings; alongside costs of the scheme is presented and scrutinised by the Establishment Committee. 06 Sep 2021	 Likelihood Impact	12	31-Mar-2022	 Constant
							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	06-Sep-2021	31-Mar-2022
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. The Corporation received £200m in July 2021 representing the second (and final) tranche of private placement monies for City's Cash. 	James Graham; Sonia Virdee	06-Sep-2021	31-Mar-2022
CR 35c	Increased expenditure related to COVID measures- maximise recovery from government <i>Triggers:</i> <ul style="list-style-type: none"> Any changes to funding arrangements below the baseline 	<ul style="list-style-type: none"> Maximising recovery from government- spend is being coded and monitored. Total claim of £11.9m for lost fees & charges income on City Fund has been submitted of which £5.3m has been received. Furloughing workers where appropriate has been done recovering £4m to end of January. 	Sonia Virdee	07-Sep-2021	31-Mar-2022
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. <i>Triggers</i> <ul style="list-style-type: none"> Change to business rate reset (further deferral will result in a positive impact). Shift from commercial to residential (hot off the press). Reduction in Rateable Value (the risk is minimal). Changes to methodology in business rate calculations. Alternative funding sources e.g. sales tax. 	<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. The 20/21 collection rate was 3% down on the previous year, an improvement on the 5% previously reported. 21/22 collection to date has been in line with pre-COVID level. The Govt is also allowing authorities to spread the impact of 20/21 business rate deficits over 3 years and introduced a tax compensation scheme, for which CoL will receive £8.3m. Residual collection fund deficit will need to be factored into the MTFP. Business Rate appeals linked to COVID have been ruled out due to Govt legislation, but we are seeing an increase in appeals on other grounds. Impacts will continue to be monitored. 	Phil Black	06-Sep-2021	31-Mar-2022
CR 35e	Impact on investments: securities/property <i>Triggers:</i> <ul style="list-style-type: none"> Increase in loss of income over £5m p.a. 	<ul style="list-style-type: none"> The values of the three main financial investment portfolios have continued to grow steadily The total value of the investment property portfolios has declined by c 4% to £4.05bn. 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. 	Nicholas Gill; James Graham	07-Sep-2021	31-Mar-2022

		<ul style="list-style-type: none"> • 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. • The total annual rental income from the investment property portfolio for 2021/22 is estimated to reduce from £123.656m (December 2020 quarter estimate) to £121.787m (March 2021 quarter estimate). • The total arrears for the investment property portfolio as at 28th May 2021 stand at 17.74% against a target of 1% which is equivalent to £32.3m. 			
CR 35f	Impact on the MTFP	<ul style="list-style-type: none"> • Lower investment income modelled into MTFP, plus one year retention of business rate growth anticipated 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 Financial Investments by £530.6m across the planning horizon to 2024/25 (which is sustainable given modelling of balance sheet recovery). Further modelling sees an increase upto £709m between 2021/22 to 2025/26. • Update on MTFP was presented to the RASC Away Day on 13th July. 	Caroline Al-Beyerty; Sonia Virdee	06-Sep-2021	31-Mar-2022
CR 35h	To implement the Fundamental Review project plan-TOM <i>Triggers:</i> <ul style="list-style-type: none"> • <i>Delays/Reduction to 12% savings.</i> • <i>Delays/Reduction to fundamental review savings.</i> 	<ul style="list-style-type: none"> • An exercise is being undertaken and will continue throughout 21/22 to monitor the achievement of TOM & FR savings across the corporation. • Deep-dive reports on departments savings will be reported to E&P committee, deep dives will align with the TOM waves. • Monthly TOM tracker reported and scrutinised by Establishment Committee commencing September 21. 	Chrissie Morgan; Sonia Virdee	06-Sep-2021	31-Mar-2022




CR16l	Gain assurance on understanding and mitigating our security vulnerabilities	The next PSN health check began end of June. This will be followed up by an ethical hack on premise and a business continuity desktop exercise that simulates the scenario of a successful ransomware attack by September 2021.	Matt Gosden	09-Sep-2021	30-Sep-2021
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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
CR29 Information Management 08-Apr-2019 John Barradell	Cause: Lack of officer commitment and investment of the right resources into organisational information management systems and culture. Event: The City Corporation's IM Strategy (2018-2023) is not fully and effectively implemented Effect: <ul style="list-style-type: none"> • Not being able to use relevant information to draw insights and intelligence and support good decision-making • Vulnerability to personal data and other information rights breaches and non-compliance with possible ICO fines or other legal action • Waste of resources storing information beyond usefulness 		12	New business intelligence dashboards continue to be developed for improved decision making by the Corporate Strategy and Performance team • An updated An Information Management Asset register has been populated for the organisation. Plan being developed for moving unstructured data from Shared Drives to Sharepoint is being developed 9 Sept 2021		6	31-Dec-2021	
							Reduce	Constant

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	<p>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.</p> <p>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.</p> <p>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.</p> <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 	 <p>Likelihood</p> <p>Impact</p>	8	<p>All services have now been migrated into Azure. Agilisys BC/DR plan has now been provided and is being reviewed internally and will form the basis of the COL IT BCDR Plan. The GW5 has been sent for approval, the project is poised to start immediately.</p> <p>09 Sep 2021</p>	 <p>Likelihood</p> <p>Impact</p>	4	31-Oct-2021	Constant

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
CHB IT 004k	RPO and RTO of Critical Apps	Find out the RPO/RTOs for all critical applications in Azure		Matt Gosden	09-Sep-2021	31-Oct-2021
CHB IT 004m	Repurpose GJR Comms Room	Review audit results, obtain quote from Red60, identify budget.		Kevin Mulcahy	09-Sep-2021	30-Sep-2021
CHB IT 004n	Produce IT-wide BC/DR Plan	The team are to develop an IT-wide BCDR Plan, including at least three critical services. This will be based on the Agilisys-specific plan which was delivered March 2021.		Matt Gosden	09-Sep-2021	31-Oct-2021
CHB IT 004O	UPS Project Delivery	PO has been provided to supplier - work will commence after holiday season.		Matt Gosden	09-Sep-2021	30-Sep-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
CHB IT 031 IT Revenue Budget 10-May-2021 Sean Green	Cause: The IT Service is subject to a budget reduction of £1.2m in 21/22 or 12% having had this agreed in early March 2021. Event: The planned action programme does not deliver the required level of savings within the timeframe set by the City Corporation/Finance Committees Effect:. The IT budget will be overspent in 2021/22 The services provided by IT to the organisation will need to be descoped to save costs and this may have a downstream impact for the organisation to deliver successful outcomes in front line services.	 Likelihood Impact	16	A plan has been developed and a governance process is in place enabling tracking and corrective action to be taken. A review of the plan is required to be actioned every 2 weeks. 13 Sep 2021	 Likelihood Impact	4	31-Dec-2021	 Increasing

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB IT 031a	Complete review to quantify savings	£400k of savings have been identified, with £800k full year impact for the next FY. There are a number of savings that are awaiting negotiation and review both internally and with suppliers.	Kevin Mulcahy	09-Sep-2021	30-Sep-2021
CHB IT 031b	Prepare and execute the IT savings plan for 21/22 with agreement from relevant stakeholders in the organisation	A dedicated Project Manager and Capacity Manager has been employed to develop and drive forward the IT savings for the Corporation. This is profiled and is being discussed at monthly meetings with the Chamberlain.	Kevin Mulcahy	09-Sep-2021	30-Sep-2021