

Committee(s)	Dated:
Corporate Asset Sub (Finance) Committee – For information	24 November 2021
Property Investment Board – For information	26 November 2021
Subject: City Surveyor’s Departmental Risk Register – Quarter 2 2021/22 Update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	5
Does this proposal require extra revenue and/or capital spending?	N
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: City Surveyor (CS 455/20)	For Information
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Summary

This report has been produced to provide your Committee with a quarterly update on the management of risks within the City Surveyor’s Department.

The City Surveyor department currently has eight risks on its Departmental Risk Register (Appendix 1). Two of these risks are recorded as red. The red risks currently being managed by the department are:

- SUR SMT 004 – Repairs and Maintenance
Current risk score 16 (Red)
- SUR SMT 005 – Construction Price Inflation
Current risk score 16 (Red)

The remaining five risks are all currently scored as amber.

As noted in the previous quarterly update report to this Committee (CS 357/21), the department has now merged the thematic COVID-19 risk register into its regular departmental risk register, and moving forward, Members will only receive one appendix which will capture all departmental risks.

Recommendation(s)

Members are asked to:

- Note the report, and the actions taken within the City Surveyor Department to effectively monitor and manage risks arising from our operations.

Main Report

1. The Risk Management Strategy of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. The Property Investment Board (PIB) and Corporate Asset Sub (Finance) Committee (CAcC) has determined that they will receive the City Surveyor's risk registers on a quarterly basis.
2. This report has attached the overall departmental risk register as Appendix 1.
3. Risks are reviewed regularly by the department's Senior Management Team (SMT) in line with the organisation's Risk Management Policy and Strategy (RMP&S). Risks are assessed on a likelihood-impact basis, and the resultant score is associated with a traffic light colour.
4. Should any changes occur between formal meetings a process exists such that risks can be captured, assessed, and mitigating activities captured. This ensures that the risk management process remains 'live'.

Current Position

5. The City Surveyor Departmental Risk Register currently contains two red, and five amber risks. The details of each of these are included in Appendix 1.
6. In line with updated Corporate guidance, the earlier COVID-19 thematic risk register has now been merged with the departmental register. This reflects those on-going risks associated with COVID-19 now need to be managed alongside other risks contingent against our objectives.
7. The department also manages the repairs and maintenance risks associated with the five city bridges. These risks are reported separately through to the Bridge House Estates Board.
8. The department will be presenting its departmental risk register through to the informal risk management challenge session of Audit and Risk Management Committee on 8 December 2021.

Changes since last review

9. The department has recently undertaken a substantial review of its entire risk register. Activities included:
 - Looking at best practice from commercial organisations
 - A sequence of review meetings with each of the directors
 - Reflecting upon feedback from Members
 - Reconciling the earlier risk register to ensure that there were no resultant gaps

10. Overall, this has improved alignment between the risk register and the department's business plan. It has also resulted in a set of risks which are more strategic in scope, and better reflects the key issues facing the department.

11. Further detail on recent changes to the register is as follows:

A. SUR SMT 005 – Construction Price Inflation

Members will be aware that there has been significant increase in input prices – both labour and goods – over the last 12 months. This has been exacerbated by supply chain delays. This increase is being seen in tender price returns. Ultimately this will either result in projects exceeding budget, being de-scoped to remain within a cost envelope, or in some circumstances, being cancelled.

The risk scoring reflects that, should construction price inflation continue, this will impact the delivery of organisational priorities. The risk scoring on other departmental risks, such as Climate Action Strategy (SUR SMT 001) has consequently been adjusted.

B. SUR SMT 004 – Repairs and Maintenance

This risk replaces the earlier 'repairs backlog' risk. It seeks to draw together the five different funding streams that are available to maintain City properties, creating a more strategic risk.

The risk is current recording a red rating, reflecting the gap between available funds and the repairs and maintenance needs of the estates – particularly the corporate estate.

C. SUR SMT 007 – Energy Pricing

The energy market has seen a rapid increase in cost, and this risk has been raised to the Departmental Register to provide greater insight into management activity. Whilst the City's volumes are largely closed out for 2021/22, there remains some residual short-term exposure. In the longer term, should this recent price spike be maintained, there is a risk that funds would be diverted away from other activities. The pricing situation is being closely monitored by the Energy Team.

D. SUR SMT 003 – Investment Strategy Risk

This risk draws together a number of strands which may impact the organisation's ability to maximise property returns and income. This includes wider macroeconomic conditions, the balance of asset types within the portfolio, a link to climate action, and specific themes about the pace of returning to the office, and the retail market. The risk managed previously through the COVID-19 thematic risk register has been merged into this risk.

E. SUR SMT 006 – Construction Consultancy Management

The department is progressing plans to go to market at RIBA stage 3 rather than at stage 4. This will prevent abortive design and development work and cost. Whilst the department is confident that this action will resolve the risk, there is some existing projects which require more intensive management in the short-term.

F. SUR SMT 008 – Special Structures

This risk has been drawn out of the earlier ‘backlog maintenance risk’. It is slightly different to the more general ‘repairs and maintenance’ item as, at this stage, it is looking to develop a condition inventory of special structures.

Heatmap

12. Through the performance dashboard tool, Power BI, it is possible to create heatmaps of the department’s risks. This is a graphical summary of the current departmental risks (left). A comparison with the those presented at the last report (August) is included as the table on the right.

13. The Heatmaps do not track individual risks over time, rather it is a snapshot comparison of the overall risk profile. However, Members should note the general uplift in risk scoring between periods. This reflects the inter-related nature of the risks – and items such as construction price inflation, are having a knock-on impact on other risks.

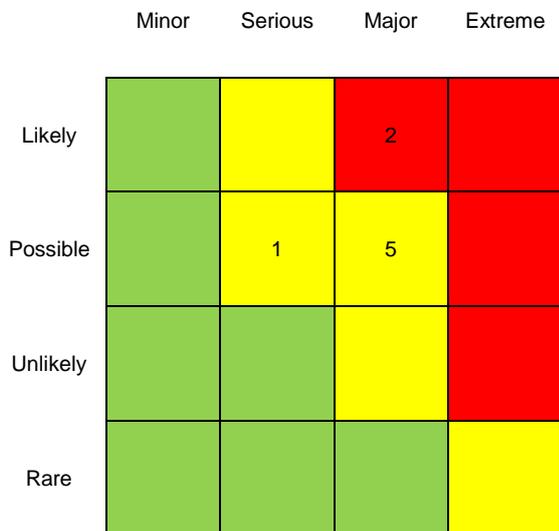


Table 1: November 2021 Risk Heatmap



Table 2: August 2021 Risk Heatmap

Conclusion

14. Members are asked to note the recent changes to the departmental risk register. As highlighted in the report, the department has taken significant efforts to ensure that its register tightly aligns with the business plan, reflects industry best practice, and draws upon the thoughts of both Members and senior officers.

Appendices

- Appendix 1 – Departmental risk register

Background Papers

- The City Surveyor – The City Surveyor's Departmental Risk Register – July Update (CS 215/21)
- The City Surveyor – The City Surveyor's Departmental Risk Register – August Update (CS 357/21)

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