

<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	19 July 2022
<b>Subject:</b> Chamberlain’s Departmental Risk Management – Monthly Report	<b>Public</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Hayley Hajduczek, 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 are currently no RED risks on the Corporate Risk Register within the responsibility of the Chamberlain. There are no RED risks on the Chamberlain’s departmental risk register.

The Chamberlain’s Senior Leadership Teams continue to monitor closely the progress being made to mitigate all risks on the risk register (appendix 1).

### Recommendation(s)

Members are asked to note the report.

### Main Report

#### Background

- 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

1. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain’s Department. It is to be noted that there are currently no RED risks on the Chamberlain’s risk register, however close monitoring continues for all risks.

2. CR35 Unsustainable Medium-Term Finances score remains at 12 (amber). There has been no event to cause a trigger (as agreed by this committee) to increase this score the full detail of this risk can be found in appendix 1. The position of the HRA remains difficult however proposals to resolve the funding issues are put forward in the July paper to RASC and CCS.
3. Good progress continues to be made on the CHB 001 Chamberlain's department transformation and knowledge transfer with recruitment for key roles being prioritised, many roles have now been appointed to awaiting start date of the new incumbents.

## **Conclusion**

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

## **Appendices**

- Appendix 1 - Departmental Risk Registers

## **Background Papers**

Quarterly Reports to Finance Committee: Finance Committee Risk

### **Hayley Hajduczek**

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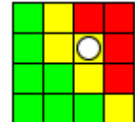
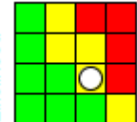

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# Appendix 1 - CHB Corporate and departmental risks

Report Author: Hayley Hajduczek

Generated on: 04 July 2022


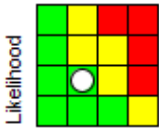



Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CR35</b> <b>Unsustainable</b> <b>Medium Term</b> <b>Finances</b>	<p><b>Causes:</b> High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022                      Contraction in key income streams and increase in bad debts following post pandemic change in working practices                      Police Transform programme fails to realise the budget mitigations anticipated within the MTFP                      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</p> <p><b>Event:</b> Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation to meet the Corporation’s forecast medium term financial deficit will not be realised.</p> <p><b>Effects:</b> Additional savings over and above those identified through the Fundamental Review to meet this challenge are required, 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.                      Stakeholders experiencing reduced services and service closures.</p>	 <p>12</p>	<p>Retail Price Index rose by 11.7% and Consumer Price Index rose by 7.9% in 12 months to May 2022 (up by 2.7% and 0.9% respectively since March 2022). OBR are forecasting further increases, peaking in Autumn 2022, which will create pressures on service/departmental 2022/23 budgets and on the Housing Revenue Account.</p> <p>Pinch points are currently being identified by finance business partners. Mitigations now include bolstering inflation contingencies from carry forwards and tight financial disciplines. Further mitigations were discussed at Resource Allocation Sub Away Day in June.</p> <p>Income from investment property and from business rates holding up well. Reserves are not being utilised.</p> <p>The risk score is being maintained at amber 12, although the trajectory of risk is increasing. No trigger points reached.</p>	 <p>8</p>	<p>31-Mar-2023</p>			

19-Jun-2020 Caroline Al-Beyerty			Further mitigations: Review capital programmes and major commitments; operational property review (surplus/ageing assets), including options for cyclical works programme; untapped income generation. <b>04 Jul 2022</b>			Accept	Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35d	Inability of some ratepayers to pay rates due to change in working patterns post pandemic, especially retail, hospitality and leisure sectors. A reduction in demand for office space in the square mile, leading to lower occupation and business rate income. Triggers <ul style="list-style-type: none"> <li>• Change to business rate reset (further deferral will result in a positive impact).</li> <li>• Shift from commercial to residential.</li> <li>• Reduction in Rateable Value (the risk is minimal).</li> <li>• Changes to methodology in business rate calculations.</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly monitoring in place. The 2021/22 collection rate figure is 95.29%, which is 0.97% up on last year and only 2.07% down on 2019/20 (97.36%).</li> <li>• The COVID Additional Restriction Relief scheme (CARF) will provide approximately £64m relief to business rate bills.</li> <li>• Collection fund deficit to be factored into the MTFP.</li> <li>• There has been an increase in the amount of empty property resulting in more relief being claimed.</li> <li>• 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.</li> <li>• Impacts will continue to be monitored.</li> </ul>	Phil Black	04-Jul-2022	31-Mar-2023
CR35e	A reduction in key income streams and increase in bad Debt  <i>Triggers:</i> <i>Increase in loss of property investment portfolio income over £5m p.a.</i>	This is being monitored monthly, with action being taken to reduce spend where possible.  Budget forecast for 22/23 includes reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues. The moratorium against legal action for recovery has now lifted.  Sums to mitigate risk are being held in Reserves - £30m in City Fund.	Sonia Virdee	04-Jul-2022	31-Mar-2023
CR35i	Impact on the HRA <ul style="list-style-type: none"> <li>• Rising inflationary pressures in construction costs outstripping rental increases</li> <li>• Delays in residential units coming on stream delaying income</li> <li>• Increasing bad debt / long term reduction in commercial rent</li> </ul>	<ul style="list-style-type: none"> <li>• Update report on latest projections for HRA is going to CCS and RASC in July.</li> <li>• Option is proposed in the report for use of alternative sources of funding for Fire Safety Works element of Major Works Programme to enable HRA to remain in surplus.</li> <li>• Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.</li> <li>• Housing 30 year Financial projections included in the July report.</li> </ul>	Mark Jarvis; Paul Murtagh	04-Jul-2022	31-Mar-2023

	<ul style="list-style-type: none"> <li>• Expenditure risks around recovery of leaseholder contributions following Great Arthur house cladding case</li> <li>• Inability to fund future major works programme.</li> </ul>				
CR35j	<p>Impact of inflation</p> <ul style="list-style-type: none"> <li>• Rising inflationary pressures on energy costs</li> <li>• Rising inflationary pressures on construction and labour costs</li> </ul>	<p>The MTFP approved on 10th March 2022 included the following mitigations:</p> <ul style="list-style-type: none"> <li>• Inflation contingency held: 3% 22/23 and 1% 23/24 (23/24 includes 2% inflation increase within departments);</li> <li>• CF - £3m contingency ringfenced for construction inflation under Major Projects reserve.</li> <li>• CC - £1m contingency ringfenced for construction inflation under capital programme.</li> <li>• Initial exercise to capture key pressure points across CF and CC carried out by Finance Leadership Group and monitoring arrangements being put in place through finance business partners, in liaison with departmental management teams.</li> </ul> <p>Mitigations were discussed at Resource Allocation Sub Committee Away Day, furthermore top up of contingencies from 2021/22 underspends have now been agreed.</p>	Sonia Virdee	04-Jul-2022	31-Mar-2023
CR35k	The effect of the war in Ukraine on finances and sanctions carried out.	Department of Community & Children’s Services are monitoring the likely demands on services caused by the situation in Ukraine. So far numbers coming to the attention of services has been low and any related costs have been contained within existing budgets.	Sonia Virdee	04-Jul-2022	31-Mar-2023
CR35l	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	<p>Biggest risk relates to Police - £13m p.a. cumulative sustainable savings included in MTFP. To date much has been met with one -off savings.</p> <p>To monitor and manage residual risks to the Police MTFP post-BRP increase (including increased inflation, mitigation delivery risks and new areas of pressure or grant reduction).</p> <p>Star chamber led by the Chamberlain and Town Clerk are being planned over the summer to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service areas for departments that have not achieved year on year permanent savings.</p>	Alistair Cook; Sonia Virdee	04-Jul-2022	31-Mar-2023

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
<b>CHB 001</b> <b>Chamberlain's department transformation and knowledge transfer</b>  12-Nov-2021 Caroline Al-Beyerty	<b>Cause:</b> The TOM changes are insufficient or implementation of radical change fails. The flexible retirement scheme has been taken up by many long term colleagues who will all be leaving the corporation by March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere. <b>Event:</b> Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future. <b>Effect:</b> Chamberlain's Department fails to deliver it's objectives.	 Likelihood Impact	6	Recruitment is now underway where vacancies have been held, with key roles being prioritised.  A training plan is under development to provide colleagues with the skills they need to be effective in their roles in the future.  The Chamberlains transformation programme is taking shape in collaboration with a change partner. Workshops are currently underway to define roles and actions a clear action plan will follow.  <b>04 Jul 2022</b>	 Likelihood Impact	4	31-Mar-2023	 Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB001a	Team's are working to ensure they have effective knowledge sharing plans in place particularly where there are members of the team preparing for retirement.	Most retirees have now left the organisation, where there are retirees still in post mitigation plans are in train to retain business knowledge to enable business continuity.	Sonia Virdee	04-Jul-2022	31-Jul-2022
CHB001b	Colleagues are provided with the training they need to fulfil their role.	A departmental training plan is being developed to ensure colleagues have the skills they need in order to effectively perform within the new structure.	Mark Jarvis	04-Jul-2022	31-Mar-2023
CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	Colleagues across the department have been invited to attend workshops setting out our departmental strategy and to build an action plan to reach our strategic goals. Final workshops are to be held by the end of July. A departmental action plan will follow.	Hayley Hajduczek	04-Jul-2022	31-Mar-2023
CHB001d	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity.	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity. As the TOM structure begins to be implemented a recruitment plan is in place and teams are working to fill these. Key roles have been prioritised to ensure the right people are in post to implement the rest of the structure, particularly in the Financial Services Group.	Phil Black; Hayley Hajduczek; Kate Limna; Matt Lock; Sonia Virdee	04-Jul-2022	31-Oct-2022