

SUR Departmental risks - detailed report EXCLUDING COMPLETED ACTIONS for COMMITTEE

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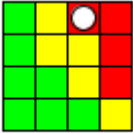
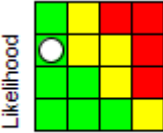

Rows are sorted by Risk Score

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
SUR SMT 005 Construction Price Inflation	<p>Cause: Market conditions have led to input price inflation</p> <p>Event: Project and programme cost escalation</p> <p>Impact: Inability to delivery capital and revenue projects within budget</p>		16	<p>Material costs and labour availability are combining to raise costs. This cost increase has already been seen in our tender returns, and this explains why this risk notes its likelihood as “likely”.</p> <p>The recent sharp uplift in fuel and energy prices is creating negative impacts across the supply chain and may lead to this risk being less transitory than first envisaged.</p> <p>We are currently experiencing the following issues:</p> <ul style="list-style-type: none"> . Contractor claims – have increased (this is in-line with the broader industry) . Contractor financial stability – is being monitored closely, and we are ensuring that contingencies are in place where relevant. 		6	31-Mar-2023	

14-Oct-2021 Ola Obadara			<p>. Market interest – contractors are being selective, and often declining to tender.</p> <p>. Shortage of labour and materials – manifesting in significant increases in prices (tendered projects are often circa 20% above the pre-tender estimate).</p> <p>As a headline, tender prices are forecast to rise by over 21% between now and Q1 2026.</p> <p>There is the risk that there are further price rises. This will lead to some cancelled projects, or projects facing uplifts in costs. This therefore has a knock-on impact on other corporate priorities which require project delivery.</p> <p>These increased costs may impact the organisation’s ability to deliver capital and revenue projects within budget.</p> <p>21 Jun 2022</p>			Reduce	Constant
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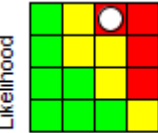
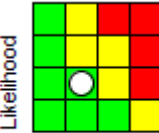

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SUR SMT 005a	Procurement Strategy	<p>The department is working with legal and procurement to identify different buying options, thereby managing the risk to the department / organisation. This exploration included a review of the prior Single Stage tender process (which had been preferred for medium range projects - £2m - £50m).</p> <p>Following the review Two Stage contracts will be used more frequently. This is the current market norm for these projects. The change enables contractors to better transfer their risk and leaves the City with a degree of cost uncertainty, even post Gateway 5. Whilst this transfer is not desired, it offers far better market coverage and reflects the prevailing external conditions. This will be kept under review.</p>	Ola Obadara	21-Jun-2022	31-Mar-2023

SUR SMT 005b	Committee Paper	The City Surveyor's Department input into a paper for (then) Project Sub Committee, Procurement Sub Committee and Policy and Resources outlining the impact and implications of this risk. Awaiting Decision.	Ola Obadara	21-Jun-2022	30-Sep-2022
SUR SMT 005c	Capital Project Review	A detailed review of projects that are scheduled to be delivered over the next 2-3 years is underway. This will test different inflationary assumptions. (Notes currently being compiled from review)	Ola Obadara	21-Jun-2022	31-Jul-2022
SUR SMT 005d	Contracts	Chamberlain's procurement and the department will explore the potential inclusion of fluctuating provisions in our contracts. Currently contractors are expected to take inflation into account when tendering, sharing this risk may attract greater interest for contractors to price and deliver.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 005e	Contract Engagement	We are looking to engage early with our contractors on a consultancy basis to obtain as much information as possible prior to contract.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 005f	Specification and Materials	Ensuring materials are readily available before and during the design phase and, if possible, procure in advance of the contract. Further consideration is being given to the origin of source materials to ensure supply.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 005g	Scope of works	In the event of the above mitigations being insufficient to contain the quantum of cost, some projects may need to be de-scoped, delayed or even cancelled. Should this action be required, there will be a knock-on impact on the delivery of departmental and corporate objectives. This will be kept under review.	Ola Obadara	21-Jun-2022	31-Mar-2023

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SUR SMT 007 Energy Pricing 18-Oct-2021 Peter Collinson	Cause: Rapid increases in the market cost of energy Event: Increasing price born by the City of London Corporation Impact: Money directed to energy payments that could be used in other endeavours	 Likelihood Impact	16	Energy Prices have continued to remain at an extremely high level, this trend appears to be continuing into 23/24. This has created significant inflationary pressure in the current financial year and somewhat into 23/24. The purchasing strategy has managed this risk and is designed to provide a market reflective price. The Power Purchase agreement is likely to provide over 50% of our power at substantially lower cost, alleviating this budgetary pressure. However, the construction of the Solar Farm by Voltalia has been delayed by SSE grid connection issues, outside of our control. The PPA is now due for operation in October 22.	 Likelihood Impact	3	31-Mar-2023	 Increasing
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 007a	Managing cost management	This element of the risk is being managed through the forward buying strategy, Power Purchase Agreement (PPA), and energy efficiency measures. A briefing note has been sent to the City Surveyor and Chamberlains. We are hedging the market by placing trades, to ensure a market reflective price, however there has been unprecedented volatility in the market over recent months. Higher prices are unavoidable, though the PPA will support a reduction in the average price of electricity post October 22.	Peter Collinson; Graeme Low	21-Jun-2022	31-Mar-2023

SUR SMT 007b	Managing supplier failure	The City is contracted with TGP energy, which is a large multi-national with risk divested across both supply and generation. TGP has a low portion of income generated from UK domestic customers (thereby minimising price capping implications).	Peter Collinson; Graeme Low	21-Jun-2022	31-Mar-2023
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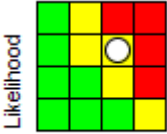
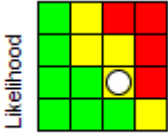

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SUR SMT 009 Recruitment and retention of property professionals	<p>Cause: Uncompetitive pay and benefits structures within some professional grades; poor quality work environments; lack of professional progression over recruitment freeze and restructuring period; increased employee focus on work-life balance</p> <p>Event: Increasingly difficult to recruit suitably skilled staff at the correct level for the grade being recruited for. Increasingly difficulty to keep staff who get better reward packages from other organisation (both commercial and public sector)</p> <p>Impact: Increased vacancies, objectives unachieved or delivered late (including project delivery and income generation), reduced customer satisfaction, less real estate activity, reduced employee wellbeing, demotivation of staff. Increased costs born by the organisation through recruitment campaigns and training etc, or to the department through filling vacancies through comparatively expensive temporary contracts.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>16</p>	<p>This risk has been identified within a number of divisions within the City Surveyor's Department.</p> <p>Across the wider economy there is an increase in the amount of jobs being offered leading to greater competition for employees. This is putting greater focus on the wider 'offer' that is being provided by the CoL/CSD in comparison to our competitors.</p> <p>Building magazine have cited that there are currently 48k vacancies in the construction industry, the highest figure for two decades, and this is leading to 'poaching' of staff, with premiums of up to 25% provided.</p> <p>Employee research (Cushman & Wakefield, JLL, Gensler) have highlighted that work-life balance is an increasing priority for staff so being aware of these evolving employee demands is critical.</p> <p>The cost of recruitment is also significant and can harm the overall position of the organisation. Much of this risk is outside the control of CSD, however the department continues to deliver actions to mitigate the risk where possible. Further, it has pro-actively with our corporate partners to seek further solutions.</p> <p>This departmental risk directly</p>	 <p>Likelihood</p> <p>Impact</p>	<p>4</p>		

21-Jan-2022				supports the Corporate Risk on “Skills & capacity of our people” on the Corporate Risk Register. 21 Jun 2022			Reduce	Increasing
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 009a	Advertising	The department and the HR Business Partner has produced a recruitment best practice document, which includes ensuring that vacant posts are advertised in areas which will generate interest from suitably qualified candidates, including those currently under-represented within our workforce.	Rupert James; Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009b	Best Practice	Including delivery of appraisals, regular one-to-ones, team and group meetings. This aims to improve communications at all levels, ensuring that CSD is a positive work environment and that issues/blockers can be raised and addressed. In some areas career graded roles have been instituted, and deployment can be further explored.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009c	Communication	Quarterly meetings from the department’s Chief Officer so all staff feel engaged with the activities of the department.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009d	Engagement with HR	Some of the items highlighted as the ‘causes’ of this risk are outside the control of CSD, and engagement with our Corporate partners will be critical to overcoming these items. This departmental risk directly supports the Corporate Risk on “Skills & capacity of our people”.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009e	Equalities, Diversity and Inclusion	The department has an active ED&I network, which regularly engages with the City Surveyor and the Senior Management Team. This is seeking to make the department a more attractive destination for under-represented groups and seek to retain and progress staff from all backgrounds.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 009f	Pay and Review Survey	Review with HR the possibility of a refreshed Pay and Review survey. This was last undertaken in January 2018 by McDonald and Co and, as noted in the update, considerable market change has occurred since this time. A budget will need to be identified for this activity for it to progress.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009g	Your Voice Matters Survey	The Your Voice Matters survey was undertaken earlier in 2022. Detailed results are now available and have been communicated to Directors. Analysis within the department have highlighted positives / areas for consideration, and particularly with respect of the second of these we are working with Corporate Colleagues to develop a response (these themes are reflected in the “risk cause” above.	Paul Wilkinson, Kaye Saxton-Lea, John	24-Jun-2022	31-Mar-2023

		The department will be supporting the 'roadshow' activities scheduled for Summer/Autumn which will develop additional granularity. This action will help mitigate the 'retention' element associated with this risk.	Galvin		
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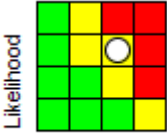
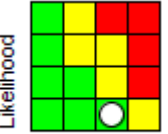

		Shadow budget now agreed. To commence this financial year 22/23.	Collinson; John James; Peter Young		
SUR SMT 002g	Maintenance Management	The department continues to work with Skanska, our Building Repairs and Maintenance Contractor, to review and improve the correct Planned Preventative Maintenance (PPM) regime.	Peter Collinson	19-Apr- 2022	31-Mar- 2023
SUR SMT 002j	Budget adjustment	The department is identifying how to maintain services across the complex in light of lower budget allocations for 2022/23.. This will identify areas where savings are being made and any changes in service to align to the new budget.	Peter Collinson; Peter Young	19-Apr- 2022	31-Mar- 2023

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		Likelihood	Impact		Likelihood	Impact		
SUR SMT 003 Investment Strategy Risk 17-May-2021 Nicholas Gill	Cause: The business environment declines, office workers do not return to their workplace in numbers anticipated, retail tenant failure, or demand moves away from City of London assets. Event: Lower rental levels achieved, lower demand, increased turnover of tenancies, increased tenant failure Impact: Inability to maximise property returns and income for an acceptable level of risk	 Likelihood Impact	12	This risk captures a number of sub-risks which may impact the organisation's ability to maximise its property returns for an acceptable level of risk. Void levels within the City's investment portfolio have remained low post the Covid-19 pandemic. The moratorium on enforcement action ceased as of 01/04/2022. Arrears built up from 03/20 – 07/21 will be ring-fenced for six months. Over this time the government is encouraging tenants and landlords to reach a commercial agreement pertaining to these arrears. Arrears outside of this period are being handled in line with existing process/procedures. 21 Jun 2022	 Likelihood Impact	8	31-Mar-2023	 Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 003a	Macro-economic The strategy is to maintain a diverse portfolio that reduces the impact of this risk. This includes: 1. Use (office, retail, industrial) 2. Location (City, Southwark, West End etc.)	The actions described are being undertaken and reviewed regularly with the Assistant Directors.	Nicholas Gill	21-Jun-2022	31-Mar-2023

	<p>3. Tenancies (Long term Headlease geared, FRI, directly managed)</p> <p>4. Covenants (multinationals, SME)</p> <p>5. Asset management (lease renewals, voids, arrears, etc)</p> <p>6. Monitoring retail habits in change of building use</p>				
SUR SMT 003b	<p>Portfolio</p> <p>Ensuring that the overall composition of the investment portfolio takes advantage of emerging segments of growth, whilst managing the exposure to property types which are showing reducing demand.</p>	<p>This is achieved through regular market scanning, and the integration of learning into the Corporation's approach.</p>	Nicholas Gill	21-Jun-2022	31-Mar-2023
SUR SMT 003c	<p>Climate Action</p> <p>The alignment of our portfolio with the future strategic needs of occupiers, particularly supporting their ESG (Environmental-Social-Governance) needs. Climate Action is principally managed through the Climate Action risk (SUR SMT 001). However, it is referenced here as there is a requirement to ensure that the properties offered by the City of London are meeting the emerging needs of tenants.</p>	<p>Ensure that the properties offered by the COL are meeting the emerging needs of tenants.</p>	Nicholas Gill	21-Jun-2022	31-Mar-2023
SUR SMT 003d	<p>Office risk</p> <p>A slow return of workers to the office may lower demand for office spaces, or the types of spaces required may necessitate additional works prior to letting</p>	<p>The department is monitoring the return to the office through data supplied by partners (such as football information), market research reports, and tenant feedback.</p> <p>The department continues to observe a 'flight to quality' – higher specified and higher quality spaces. Occupiers are increasingly considering their space as a tool in the 'war for talent'. Whilst some occupiers are downsizing their space, others are looking to create a better environment for staff through lower densities / improved amenities.</p> <p>The team is working with Corporate Colleagues in connection with the "Destination City" agenda and the Investment Property Director presented to the June RASC Away Day to highlight market trends.</p>	Nicholas Gill	21-Jun-2022	31-Mar-2023
SUR SMT 003e	<p>Retail</p> <p>Changes in consumer preferences (moving to on-line retail) which has been accentuated through the COVID-19 pandemic. Elements of the City portfolio is also dependent on tourism, which has seen a significant decline over the last 12+ months. The speed at which this return is yet to be understood.</p>	<p>The moratorium on enforcement action concluded in March 2022. Arrears built up from 03/20 – 07/21 will be ring-fenced for six months. Over this time the government is encouraging tenants and landlords to reach a commercial agreement pertaining to these arrears. Arrears outside of this period are being handled in line with existing process/procedures.</p> <p>The 'Covid-arrears' element of the risk was managed through the below. These actions were largely successful, and only a minor increase in voids manifest.</p> <ul style="list-style-type: none"> . Move to monthly payments (offered to directly managed and FR&I tenants). . Rent concessions for some tenants (Mar, Jun, Sep, Dec quarters). No further concessions are 	Nicholas Gill	21-Jun-2022	31-Mar-2023

		proposed. . Engagement with peers to understand wider market impacts. . Regular arrears monitoring, including the provision of bi-monthly dashboards Rental collection snapshot is being produced by Chamberlain's Department.			
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SUR SMT 006 Construction Consultancy Management 14-Oct-2021 Ola Obadara	Cause: Poor performance by consultants Event: Abortive work, delays, or non-performance. Impact: Additional costs, project delays	 Likelihood	12	This risk is being managed but it will take some time to resolve issues arising from contractors previously appointed. This relates to abortive design / development. 21 Jun 2022	 Likelihood	4	30-Sep-2022	 Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 006a	Commissioning stage	The department has commenced going to market at RIBA stage 3 rather than RIBA stage 4. This will prevent abortive design and development. This change followed close work with the procurement team in Chamberlain's. The impact of this change will be tracked over the coming months.	Ola Obadara	23-Jun-2022	30-Sep-2022
SUR SMT 006b	Legal	The team is working closely with the legal department to ensure that procurement activity aligns with project objectives and the consultants meet quality requirements.	Ola Obadara	23-Jun-2022	30-Sep-2022

		to ensure comprehensive accuracy.			
SUR SMT 010b	Funding	Funding will need to be identified. In earlier years this budget was met from CS Local Risk, however this budget line can no longer accommodate this spend. Where leases allow, the cost can be recovered from commercial tenants, and operational occupiers as appropriate. However, up front funding will need to be identified.	Nicholas Gill; John James	26-May-2022	31-Mar-2023
SUR SMT 010c	Delivery	Deliver - Once funding has been identified	Nicholas Gill	26-May-2022	31-Mar-2023

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SUR SMT 008 Special Structures 20-Oct-2021 Peter Young	Cause: Lack of central register for special structures and/or ambiguity over accountability, responsibility for budget provision Event: Incomplete, or not up-to-date register of special structures and planned maintenance regime Impact: Potential failure of special structure and/or forced closure of asset / space	 Likelihood Impact	6	Special structures relate to those structural elements with an asset which supports other (often public) elements, so captures basements, sub-road spaces, supporting structures etc. There is no current central register of these structures within the portfolio, and therefore no current prescribed or routine inspection regime in place to ensure that these structures remain in a suitable condition. 21 Jun 2022	 Likelihood Impact	2	31-Mar-2023	Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 008a	Special Structures register	Funding to undertake the technical inspections, create the inventory and survey current condition was approved as part of the Cyclical Works Programme (CWP) 22/23 Bid List. The Operations Group is now developing detailed briefs for contractors. It is anticipated that the process will run through 2022 and, depending on the gap between current and desired condition, further funding bid requests may result.	Peter Collinson; Peter Young	21-Jun-2022	31-Mar-2023
SUR SMT 008b	Special structures – investment portfolio	Register for the investment estate exists but requires a refreshed survey to ensure on-going accuracy of information.	Peter Collinson; Nicholas Gill; Peter Young	21-Jun-2022	31-Mar-2023
SUR SMT 008c	Special structures – Barbican Estate	Corporate Property Group Director met with Barbican to discuss that all special structures across the Barbican are identified (not just tunnels) and that they will need to be recorded. Housing use a physical asset register system called Keystone and the rest of the portfolio (non-housing) is on Concerto (CAFM) managed by the City Surveyor.	Peter Collinson; Peter Young	21-Jun-2022	31-Mar-2023

		<p>The department's Operation's Group is reviewing whether the CAFM system is the right place to record the special structures once fully identified and inspected. Barbican Estate is considering Keystone for the Barbican special structures.</p> <p>For Barbican Estate and Housing, point to note is that Community and Children's Services have their own corporate maintenance contract and do not use the CSD corporate BRM contractor (Skanska). This adds a further layer of complexity for Barbican, where there is more than one maintenance contractor undertaking works (housing and non-housing).</p>			
SUR SMT 008d	Special Structures – other assets	Corporate Property Director and Operations Group Inspector to engage with other departments to ensure that there is clarity over responsibilities and what actions need to progress to mitigate this risk comprehensively across the City of London Corporation.	Peter Collinson; Peter Young	20-Apr-2022	31-Mar-2023

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SUR SMT 001 Climate Acton Strategy - Deliver programme of works across operational and investment portfolios 13-Apr-2021 Peter Collinson	Cause: Insufficient resources and prioritisation allocated to Climate Action. Event: The City Surveyor’s Department fails to deliver programme of works on time, to budget, or with the required contribution to assist the delivery of the City Corporation’s Climate Action Strategy. Impact: Failing to adequately invest in net zero initiatives leading to negative impact on our financial and property investments.	 Likelihood Impact	4	<p>The Department has four workstreams (Investment Property, Corporate Property, Capital Projects and Resilience), which detail the actions to be undertaken to mitigate this risk.</p> <p>Centre of Excellence is now in place following successful recruitment.</p> <p>Materials and technology availability is being tracked. Aligned to other departmental risks there are input price inflation and availability issues in the supply chain. This industry-wide issue continues to be tracked.</p> <p>Further risks may be highlighted as the programme evolves.</p> <p>The delivery of mitigations under this risk support the Corporate Risk CR30.</p> <p>21 Jun 2022</p>	 Likelihood Impact	2	31-Mar-2027	 Decreasing
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 001a	Investment property	Investment Property Consultant appointed for the first phases. We are anticipating work commencement in September. This workstream will counter the possibility of low value / stranded assets.	Peter Collinson; Graeme Low	21-Jun-2022	31-Mar-2027
SUR SMT 001b	Corporate Property	Mobilisation largely complete facilitated by the delivery of the recruitment action. Housing	Peter	21-Jun-	31-Mar-

		and BEMS support will be in place in the coming weeks.	Collinson; Graeme Low	2022	2027
SUR SMT 001c	Capital Projects	Mobilisation in progress facilitated by the delivery of the recruitment action. Guidelines / brief requires clarification, and this is being resolved with the relevant internal leads. Whole Life Carbon assessments began from April 2022.	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027
SUR SMT 001d	Resilience	Mobilisation in progress facilitated by the delivery of the recruitment action. Climate Impact Modelling exercise started April 2022.	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027
SUR SMT 001f	Monitoring and awareness	Review of targets annually to reflect changing industry standards. This is related to the ‘carbon factor’ of the electricity grid, and how rapidly this de-carbonises. This may change the programme or prioritisation of works.	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027
SUR SMT 001g	Recruitment	There is a requirement to have a team of nine for climate action, but recruitment had been delayed by governance issues. The Centre of Excellence is largely in place (as per SUR SMT 001b). In addition, the department has two permanent posts within the team that are currently vacant – these are in the recruitment phase..	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027