

Committee(s)	Dated:
Finance Committee	20 September 2022
Subject: Chamberlain's Departmental Risk Management Update	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: The Chamberlain	For Information
Report author: Hayley Hajduczek, Chamberlain's Department	

Summary

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

There are currently no RED risks on the Corporate Risk Register within the responsibility of the Chamberlain and 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

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 previously 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 this committee has requested reports are kept short with details held within the appendix, these reports will be altered to note only significant updates or changes and all the detail will be held in the Chamberlain's Departmental Risk Register in an appendix.

Current Position

2. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's Department.
3. 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.
4. Good progress continues to be made on the CHB 001 Chamberlain's department transformation. Learning champions have been assigned to identified learning areas, the first meeting of the champions is to be held in this month. Action plans have been developed by individual teams and will be used to draft the Chamberlain's Departmental Business Plan for 2023-24.

Conclusion

5. 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

Chamberlain's Departmental Risk Management Update Reports to Finance Committee.

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Appendix 1 - CHB Corporate and departmental risks






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	<p>Causes: 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>Event: 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>Effects: 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>Likelihood</p> <p>Impact</p>	12	<p>Retail Price Index rose by 12.3% and Consumer Price Index rose by 10.1% in 12 months to May 2022 (up by 3.3% and 3.1% 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 at this stage.</p> <p>Further mitigations: Review capital programmes and major commitments;</p>	<p>Likelihood</p> <p>Impact</p>	8	31-Mar-2023	

19-Jun-2020 Caroline Al-Beyerty				operational property review (surplus/ageing assets), including options for cyclical works programme; untapped income generation. 08 Sep 2022			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"> • Change to business rate reset (further deferral will result in a positive impact). • Shift from commercial to residential. • Reduction in Rateable Value (the risk is minimal). • Changes to methodology in business rate calculations. 	<ul style="list-style-type: none"> • 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%). Collection continues to hold up in 22/23. • The COVID Additional Restriction Relief scheme (CARF) has been provided to 11,500 businesses. This resulted in a 20% reduction to business rates bills for 21/22 and represents a total of £60m in relief. • Collection fund deficit to be factored into the MTFP. • There has been an increase in the amount of empty property resulting in more relief being claimed. • 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	08-Sep-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>	<p>This is being monitored monthly, with action being taken to reduce spend where possible.</p> <p>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.</p> <p>Sums to mitigate risk are being held in Reserves - £30m in City Fund.</p>	Sonia Virdee	08-Sep-2022	31-Mar-2023
CR35i	Impact on the HRA <ul style="list-style-type: none"> • Rising inflationary pressures in construction costs outstripping rental increases • Delays in residential units coming on stream delaying income • Increasing bad debt / long term reduction in commercial rent 	<ul style="list-style-type: none"> • Update report on latest projections for HRA presented to CCS and RASC in July. • Option 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. • 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. • Housing 30 year Financial projections included in the July report. • External HRA review commissioned, to be reported back to RASC in November. 	Mark Jarvis; Paul Murtagh	08-Sep-2022	31-Mar-2023

	<ul style="list-style-type: none"> • Expenditure risks around recovery of leaseholder contributions following Great Arthur house cladding case • Inability to fund future major works programme. 				
CR35j	<p>Impact of inflation</p> <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	<p>The MTFP approved on 10th March 2022 included the following mitigations:</p> <ul style="list-style-type: none"> • Inflation contingency held: 3% 22/23 and 1% 23/24 (23/24 includes 2% inflation increase within departments); • CF - £3m contingency ringfenced for construction inflation under Major Projects reserve. • CC - £1m contingency ringfenced for construction inflation under capital programme. • 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. <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> <p>Update to Finance Committee to be presented on capital programme on 20th September, with report to RASC and P&R on 4th October.</p>	Sonia Virdee	08-Sep-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	08-Sep-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. There is a risk to delivering elements of these savings plan and sustaining the 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 Autumn 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	09-Sep-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
CHB 001 Chamberlain's department transformation and knowledge transfer 12-Nov-2021 Caroline Al-Beyerty	Cause: 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. Event: Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future. Effect: 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. Management is deploying temps where there are significant gaps to support the current team until permanent positions are filled. A training plan is under development to provide colleagues with the skills they need to be effective in their roles in the future. Learning champions have been assigned to identified learning areas required, the first meeting of the group is to be held in September. Following a series of workshops teams are now working on transformation action plans and defining roles. These plans will be used to draft the Departmental Business Plan for 2023-24. 08 Sep 2022	 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 areas have now successfully transitioned through this period successfully with only 2 roles left where a continued handover has been required to ensure business continuity.			Sonia Virdee	08-Sep-2022	30-Sep-2022
CHB001b	Colleagues are provided with the training they need to fulfil their role.	A training plan is under development. Learning champions have been assigned to identified learning areas required, the first meeting of the group is to be held in September.			Mark Jarvis	08-Sep-2022	31-Mar-2023

CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	Colleagues across the department have attended workshops setting out departmental strategy and to build transformative action plans to reach strategic goals. Teams are currently finalising these plans and these will be used to form the Departmental Business Plan.	Hayley Hajduczek	08-Sep-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 led 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	08-Sep-2022	31-Oct-2022