

# SUR Departmental risks - detailed report EXCLUDING COMPLETED ACTIONS for COMMITTEE

Report Author: Faith Bowman  
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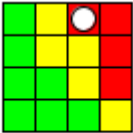
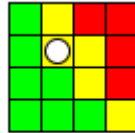

Rows are sorted by Risk Score

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	
CR37 Maintenance and renewal of Physical Assets- Investment property and Corporate (operational) property (excluding housing assets)  04-Nov-2019	<p><b>Cause:</b> Poor property condition combined with insufficient budget to maintain assets in line with commitments/expectations.</p> <p><b>Event:</b> Misalignment between the relevant Asset Management Strategy, City's lease obligations to third parties in occupation and the available funds to reach / maintain this standard</p> <p><b>Impact:</b> Built estate becomes not fit for purpose/ functions/occupancy. The City becomes in breach of legal repairing covenants. Cost of maintenance and utility costs increases, placing further pressure on City resources. In extreme circumstances there will be H&amp;S implications, leading to potential enforcement action, legal action by tenants or asset failure in whole or part with detrimental effects leading to impact on occupiers</p>	 Likelihood Impact	16	<p>This risk results from both a workshop with the Executive Leadership Board (ELB) and a risk arising from the departmental risk register.</p> <p>The mitigation captures the 5 repairs and maintenance funding streams:</p> <ul style="list-style-type: none"> <li>. Cyclical Works Programme (CWP)</li> <li>. Ring-fenced properties</li> <li>. Local maintenance budgets</li> <li>. Major Capital projects</li> <li>. Investment estate revenue programme</li> </ul> <p>Note that the majority of this risk relates to the Corporate (operational) properties (excluding housing). The main item for Members of Property Investment Board relate to mitigation action CR37d below.</p> <p>10-Nov-2022</p>	 Likelihood Impact	4	31-Mar-2023	Reduce	Constant

Paul Wilkinson						
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR37a	Cyclical Works Programme (CWP)	<p>The CWP bid for 23/24 is circa £34m. These works are essential to keep the operational properties in a good standard.</p> <p>Funding allows the progression of £12m of works (exclusively compliance &amp; emergency H&amp;S works). This figure includes inflation allowance.</p> <p>The Resource Allocation Sub Committee (RASC) Away Day discussed the maintenance requirement of the City's properties and is seeking further prioritisation guidance (aligned to a refreshed Corporate Plan).</p>	Peter Collinson	10-Nov-2022	31-Mar-2023
CR37b	Ring fenced properties and budgets ( CoLP estate, New Spitalfields, Billingsgate and the three private schools	<p>CSD is communicating with ring fenced departments to identify appropriate building maintenance requirements and spend (forward maintenance). These department occupiers allocate their own funds for the maintenance of the built assets. Whilst the City Surveyor's Department recommends work to be undertaken, it is the occupying department who holds the budget responsibility and thus decides with final control over maintenance activity.</p> <p>This element is being mitigated through the delivery of the recommendations arising from the recent Internal Audit. Whilst there has been progress in some areas, the actions have not been implemented comprehensively across the Corporation. The department is engaging with the Town Clerk to progress a resolution.</p> <p>The master planning of certain sites (such as the Boys' School) helps add clarity around required spend.</p>	Peter Collinson; Peter Young	10-Nov-2022	31-Mar-2023
CR37c	Repairs and Maintenance Budget	The local repairs and maintenance budget has come under significant pressure. The intelligent prioritising of works helps mitigate the impact of this issue. This reflects good practice and helps inform the CWP scoring matrix. The implementation of the new Computer Aided Facilities Management (CAFM) system Concerto increases the intelligence that can be drawn from our systems.	Peter Collinson	10-Nov-2022	31-Mar-2023
CR37d	Revenue Programme (Investment Estate Only)	The allocation of sufficient funds to maintain our investment portfolio to a high standard is required to maximise income generation and asset appreciation. Discussions are on-going with internal colleagues such that sufficient provision is made from the rent received. For the coming year 4.6% of projected rent has been allocated, broadly in line with the 5% industry 'rule of thumb'. One of the post-Covid trends is a 'flight to quality' from occupiers, making the condition of our assets critical to future income.	Nicholas Gill	10-Nov-2022	31-Mar-2023

CR37f	Annual Major Capital Bids	<p>The City Surveyor's Department is progressing major capital projects, and these projects are all essential to keep the operational estate including the Guildhall in a good standard. Significant works have been identified from the recent Smithfield Market Condition Survey and if not funded present a live Health and Safety risk. Some departments submit their own bids based upon advice from the City Surveyor. If more H&amp;S works are required this limits the scope for further improvement projects.</p> <p>Over the August period all projects have been reviewed to consider the impact of increased inflation, together with any mitigations in place. For projects pre-GW5 further assessments are being undertaken to consider the balance between desirable/mandatory and any timing constraints.</p> <p>There will be no capital bids for 2023/24 – however there will be a small emergency funding pot should any immediate H&amp;S issue arise.</p>	Peter Collinson; Nicholas Gill; Peter Young	10-Nov-2022	31-Mar-2023
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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
<b>SUR SMT 005 Construction Price Inflation</b>	<p><b>Cause:</b> Market conditions have led to input price inflation  <b>Event:</b> Project and programme cost escalation  <b>Impact:</b> Inability to delivery capital and revenue projects within budget</p>	<p>Likelihood </p> <p>Impact</p>	<p>16</p>	<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"> <li>. Contractor claims – have increased (this is in-line with the broader industry)</li> <li>. Contractor financial stability – is being monitored closely, and we are ensuring that contingencies are in place where relevant.</li> <li>. Market interest – contractors are being selective, and often declining to tender.</li> <li>. Shortage of labour and materials – manifesting in significant increases in prices (tendered projects are often circa 20% above the pre-tender estimate).</li> </ul> <p>Cost Consultants were forecasting a continued rise in the Tender Price Inflation (which monitors the movement of prices in tenders for construction contracts in the UK) at between 8%-12%, and the true</p>	<p>Likelihood </p> <p>Impact</p>	<p>6</p>	<p>31-Mar-2023</p>	<p></p>

<p>14-Oct-2021 Ola Obadara</p>			<p>reflection on recently tendered projects by the City Corporation was circa 20%-30%. However, material prices appear to have turned a corner, as evidenced by the BEIS's 'All Work' material price index falling by a notable 1.42% in August. This was the first monthly fall in material price inflation since July 2020.</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>The department has been working with Corporate colleagues, and this has resulted in the project review process being undertaken through August.</p> <p>A paper has been prepared for November's Property Investment Board (PIB) detailing the impact on investment projects.</p> <p><b>10 Nov 2022</b></p>			<p>Reduce</p>	<p>Constant</p>
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 005a	Procurement Strategy	The department is working with legal and procurement to identify different buying options,	Ola	10-Nov-	31-Mar-

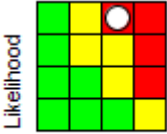
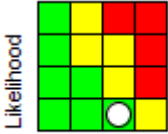
		<p>thereby managing the risk to the department / organisation. This exploration included a review of the prior Single Stage tender process (which had been preferred for medium range projects - £2m - £50m).</p> <p>Following the review Two Stage contracts will be used more frequently. This is the current 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>	Obadara	2022	2023
SUR SMT 005c	Capital Project Review	<p>Over the August period all projects were reviewed by the Chair &amp; Deputy of OPPSC to consider the impact of increased inflation, together with any mitigations in place.</p> <p>For projects pre-GW5 further assessments are being undertaken to consider the balance between desirable/mandatory and any timing constraints. The department is pro-actively engaging in this process.</p> <p>Initial conclusions have been presented to Finance Committee in September. More detailed recommendations, in conjunction with Chief Officers, has been presented to Resource Allocation Sub Committee and Policy &amp; Resources in October.</p>	Ola Obadara	10-Nov-2022	30-Sep-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	10-Nov-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	10-Nov-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	10-Nov-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	10-Nov-2022	31-Mar-2023

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SUR SMT 009 Recruitment and retention of property professionals  21-Jan-2022	<p><b>Cause:</b> 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><b>Event:</b> 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><b>Impact:</b> 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>	16	<p>This risk has been identified within a number of divisions within the City Surveyor's Department.</p> <p>This is aligned to pressures faced in other City departments, and CSD is making further representations such that this risk is captured across the organisation.</p> <p>Across the wider economy there is an increase in the number 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>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>Likelihood</p> <p>Impact</p>	4	Reduce	Constant

Action no	Action description	Latest Note	Action	Latest Note	Due Date
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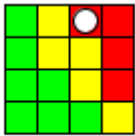
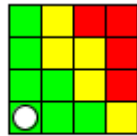
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SUR SMT 009a	Advertising	The department and the HR Business Partner has produced a recruitment best practice document, which includes ensuring that vacant posts are advertised in areas which will generate interest from suitably qualified candidates, including those currently under-represented within our workforce.	Alexandra Rodriguez; Paul Wilkinson	10-Nov-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	10-Nov-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	10-Nov-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 focus on the "Skills & capacity of our people".	Paul Wilkinson	10-Nov-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	10-Nov-2022	31-Mar-2023
SUR SMT 009f	Pay and Review Survey	The Corporation is reviewing pay & reward, and wherever possible, CSD will feed into this process. The department has highlighted that there are specific pressures within this department which may make the issue more acute within CSD roles.  The organisation has offered staff a pay settlement for 2022/23 which has come into effect from October.	Paul Wilkinson	10-Nov-2022	31-Mar-2023
SUR SMT 009g	Staff Survey 2022	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).  The department will be supporting the 'In Conversation With' event with the Town Clerk. This will increase visibility of senior managers to staff across the department and help communicate vision and aims.	Paul Wilkinson	10-Nov-2022	31-Mar-2023



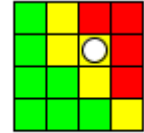
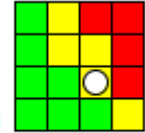
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SUR SMT 006 Construction Consultancy Management  14-Oct-2021 Ola Obadara	Cause: Poor performance by consultants Event: Abortive work, delays, or non-performance. Impact: Additional costs, project delays	 Likelihood	16	<p>This risk is being managed but it will take some time to resolve issues arising from contractors previously appointed. This relates to abortive design / development.</p> <p>Aligned with other departmental risks, the department is stretched for resource. This had led to fewer leads being responsible for a greater number of projects. This reduces scrutiny capacity and can increase the likelihood of errors.</p> <p>There is a link to our internal recruitment and retention risk (SUR SMT 009) as property professionals across the industry are moving companies at a greater rate. This means that the delivery lead often changes throughout the life of the project, and replacements are often not at the same quality as those engaged at earlier stages.</p>	 Likelihood	4	31-Mar-2023	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	Ola Obadara	10-Nov-2022	31-Mar-2023

		procurement team in Chamberlain's. The impact of this change will be tracked over the coming months.			
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	10-Nov-2022	31-Mar-2023
SUR SMT 006c	Procurement	Working with Procurement to increasing due diligence, particularly in regard to the quality of contractor appointed (rebalancing the quality/cost equation). This is with the view that we will get better quality applications and this risk may reduce.	Ola Obadara, Procurement	10-Nov-2022	31-Mar-2023

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SUR SMT 010 Insurance - Investment and Corporate Estates              26-May-2022	<p><b>Cause:</b> Revaluation of the City Corporation's estates (Investment and Corporate) does not happen in a timescale compliant with insurance policy requirements or the terms of leases.</p> <p><b>Event:</b> The City fails to meet the provision under its insurance policies that revaluations are undertaken by a RICS surveyor at least every five years (Investment and Corporate). The City is in breach of its legal obligations as a landlord under the terms of its leases to ensure that the full re-instatement value is insured</p> <p><b>Impact:</b> The insurance policy does not respond in full (Investment and Corporate). Potential legal action from commercial occupiers in the event of an incident for which there is not appropriate cover.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>16</p>	<p>This risk identifies the need of re-valuation of the City of London Estates – (Investment and Corporate) to ensure that the City reaches its legal obligations under its insurance policies.</p> <p>The last on-site valuations of the IPG estate and Corporate buildings (other than special sites) was undertaken in 2015.</p> <p>Property Projects Group (PPG) placed a contract with RLF to value the special sites (bridges, markets and historic buildings) in 2019 on a rolling programme. An interim desktop exercise was due in 2020 but has not been undertaken.</p> <p>In some instances, ad hoc valuations have been procured directly by asset managers for new builds, redevelopments and refurbishments as required.</p> <p>The scoring on this risk is anticipated to reduce once the programme of revaluations is underway.</p> <p>10-Nov-2022</p>	<p>Likelihood</p>  <p>Impact</p>	<p>1</p>	<p>31-Mar-2023</p>	<p>Constant</p>

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 010a	Register of data	A property schedule exists and this has been updated with the survey carried out on Special Sites (by RLF). However, any ad-hoc valuations from IPG need to be fed into this spreadsheet to ensure comprehensive accuracy.	Nicholas Gill	10-Nov-2022	31-Mar-2023
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. Authorisation for funding has been received and finance is in the process of coding.	Nicholas Gill; John James	10-Nov-2022	31-Mar-2023
SUR SMT 010c	Delivery	Deliver - Once funding has been identified.	Nicholas Gill	10-Nov-2022	31-Mar-2023

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<p><b>SUR SMT 003 Investment Strategy Risk</b></p> <p>17-May-2021 Nicholas Gill</p>	<p><b>Cause:</b> 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.</p> <p><b>Event:</b> Lower rental levels achieved, lower demand, increased turnover of tenancies, increased tenant failure</p> <p><b>Impact:</b> Inability to maximise property returns and income for an acceptable level of risk</p>	 <p>Likelihood</p> <p>Impact</p>	<p>12</p>	<p>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.</p> <p>Void levels within the City’s investment portfolio have remained low post the Covid-19 pandemic.</p> <p>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. Arrears outside of this period are being handled in line with existing process/procedures. Ring fencing for six months has now expired and tenants are expected to be back to paying rent due. Rent arrears are measured on a quarterly basis and reported through to Committee.</p> <p>Greater economic uncertainty is being tracked by the team, particularly in regard to energy pricing and inflation.</p> <p>10-Nov-2022</p>	 <p>Likelihood</p> <p>Impact</p>	<p>8</p>	<p>31-Mar-2023</p> <p>Reduce</p>	<p>■</p> <p>Constant</p>

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date

SUR SMT 003a	<p>Macro-economic</p> <p>The strategy is to maintain a diverse portfolio that reduces the impact of this risk. This includes:</p> <ol style="list-style-type: none"> <li>1. Use (office, retail, industrial)</li> <li>2. Location (City, Southwark, West End etc.)</li> <li>3. Tenancies (Long term Headlease geared, FRI, directly managed)</li> <li>4. Covenants (multinationals, SME)</li> <li>5. Asset management (lease renewals, voids, arrears, etc)</li> <li>6. Monitoring retail habits in change of building use</li> </ol>	<p>The actions described are being undertaken and reviewed regularly with the Assistant Directors.</p> <p>Consideration includes the potential for recession, inflation, energy pricing etc, and how this will impact tenants and the wider market.</p>	Nicholas Gill	10-Nov-2022	31-Mar-2023
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	10-Nov-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 Strategy.</p>	<p>Ensure that the properties offered by the COL are meeting the emerging needs of tenants.</p>	Nicholas Gill	10-Nov-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 footfall 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. This learning informs the portfolio strategy (linked to action SUR SMT 003b)</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	10-Nov-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</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. Arrears outside of this period are being handled in line with existing process/procedures</p> <p>Engagement with peers to understand wider market impacts. Regular arrears monitoring,</p>	Nicholas Gill	10-Nov-2022	31-Mar-2023

	on tourism, which has seen a significant decline over the last 12+ months. The speed at which this return is yet to be understood.	including the provision of bi-monthly dashboards Rental collection snapshot is being produced by Chamberlain's Department.			
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