

Committee(s)	Dated:
Finance Committee	14 December 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 Puhlhofer, 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 two RED risks on the Corporate Risk Register within the responsibility of the Chamberlain and no RED risks on the Chamberlain's departmental risk register. Progress is being made in the recruitment campaign to reduce vacancies within Financial Services as a result of staff progression to roles in other teams within the Corporation. Vacancies within the Financial Services team continue to put considerable pressure on corporate finance and reduces capacity in the short term until appointments are onboarded at the end of January 2023.

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 determined that it will receive the Chamberlain's risk register at each committee meeting.

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. The risk to Medium Term Finances both within **CR35 Unsustainable Medium Term Finances - City Fund** and **CR38 Unsustainable Medium Term Finances - City's Cash**, continues to score 24. This is due to trigger points, agreed by this committee, having been reached on the capital programme as well as a rising risk impact due to higher predicted inflation rates. Monthly monitoring on all trigger levels remains in place for both risks. Details of both CR35 and CR38 can be found in appendix 1. Whilst the risk is reducing on CR35, the work on the medium term financial plan this month will confirm whether this is now approaching amber.

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 Register

Background Papers

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

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Appendix 1 - CHB Corporate and departmental risks



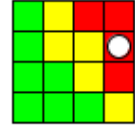
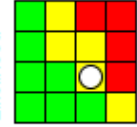

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances - City Fund	<p>Causes: High inflation – Office for Budget Responsibility forecasting peak in Autumn 2022. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices.</p> <p>Police Transform programme fails to realise the budget mitigations anticipated within the MTFP.</p> <p>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. Inability to contain construction inflation or inability to rescope capital schemes within budgets.</p> <p>Effects: Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped.</p> <p>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.</p> <p>Being unable to set a balanced budget which is a statutory requirement for City Fund.</p>		<p>24</p>	<p>Retail Price Index rose by 14.26% and Consumer Price Index rose by 11.1% in 12 months to October 2022. Inflation is predicted to fall to 4% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets and on the Housing Revenue Account.</p> <p>Construction inflation has risen to c20%.</p> <p>Pinch points have been identified by finance business partners and discussed with senior members and Committee Chairmen as part of the bilateral process supporting budget setting. Mitigations currently include inflation contingencies and tight financial disciplines.</p> <p>Income from investment property and from business rates holding up well. The £30m ringfenced reserve for income loss has not been utilised. During the last quarter, the trigger point was reached on the capital programme. This led to a review on</p>		<p>8</p>	<p>31-Mar-2023</p>	

19-Jun-2020	<p>Inability to deliver capital programme and major projects within affordability parameters. 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>major projects programme and BAU capital programme.</p> <p>Policy and Resources Committee increased the budget on Salisbury Square by £60m, however £57m of that is allocated to City's Cash as relates to the Courts element reducing the impact.</p> <p>Resource Allocation Sub Committee has reprioritised the City Fund BAU capital programme to remain within the contingency held 2022/23.</p> <p>The CWP programme is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee. For now, the CWP programme will pause on new requests to carry out a deep dive review alongside the Operational Property review.</p> <p>Quarter 2 reporting confirms identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances for as long as they remain at this level – forecast peak is Sept 2023 at 5%, falling to 3.25% by end of 2024 – likely to continue at c2-3% into 2025. The risk is decreasing, but until the medium term financial planning is completed for 2023/24, the score remains at red.</p>				
			02 Dec 2022			Reduce	Constant

Caroline Al-Beyerty								
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	<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>1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving;</p> <p>2) CF - £3m contingency ringfenced for construction inflation under Major Projects reserve. Reprioritisation of BAU capital programme sits within contingency held.</p> <p>The MTFP assumptions will be reviewed as part of 2023/24 budget setting. Some mitigations provided with increased income from cash balances.</p>	Sonia Virdee	02-Dec-2022	31-Mar-2023
CR35b	<ul style="list-style-type: none"> • Capital schemes are forecast to exceed budget. Reprioritisation of the schemes within envelope is needed and latest position will be reported to Resource Allocation Sub Committee for approval in November 2022 following discussion with Chairmen. • Review of HRA commissioned and due to report at the end of November 2022. • 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 projects have been completed. 	<p>Reprioritisation of the schemes to sit within current budget envelope has been reported to and agreed by Resource Allocation Sub Committee.</p> <p>Review of HRA commissioned from Savills and Interim Report received at the end of November 2022. Housing 30 year financial projects have been completed.</p> <p>Alternative sources of funding for Fire Safety Works have been agreed.</p> <p>Need to continue to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.</p>	Mark Jarvis; Paul Murtagh	02-Dec-2022	31-Mar-2023
CR35c	<p>£400m cost pressure identified for the major projects across City Fund and City's Cash. Reprioritisation required and periodic monitoring.</p>	<p>Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.</p> <p>Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified.</p> <p>Capital Buildings Committee monitoring delivery within the revised budget envelopes.</p> <p>Periodic reporting on capital position to Finance Committee – next report to January Finance Committee.</p>	Sonia Virdee	02-Dec-2022	31-Mar-2023




CR35d	Reduction in business rates, E.g. through reduction in occupancy or ability to pay.	<ul style="list-style-type: none"> • Monthly monitoring in place. The 2022/23 collection rate figure for Q2 is 56.22% which is significantly up on the same point last year which was at 50.69%. Improved collection has been assisted by the award of the CARF scheme. • 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 £58m in relief. • Collection fund deficit to be factored into the MTFP. • There has been an increase in the amount of empty property since March 2020 resulting in more relief being claimed but the level has now stabilised. • Impacts will continue to be monitored. 	Phil Black	02-Dec-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 Find. To date these have not been required.</p> <p>Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property, Business Rates and Council Tax. Council Tax income is now above pre-pandemic levels and Investment Property.</p>	Phil Black; Sonia Virdee	02-Dec-2022	31-Mar-2023
CR35f	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. 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). Star chamber led by the Chamberlain and Town Clerk have taken place to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments that have not achieved year on year permanent savings - there is one member bilateral meeting outstanding.</p>	Alistair Cook; Sonia Virdee	02-Dec-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
CR38 Unsustainable Medium Term Finances - City's Cash	<p>Causes: High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices.</p> <p>Event: Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation not realised requiring further draw down on Reserves. Inability to contain construction inflation or inability to rescope capital schemes within budgets.</p> <p>Effects: Additional savings over and above those identified 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. Inability to deliver capital programme and major projects within affordability parameters. 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>	<p>24</p>	<p>Retail Price Index rose by 14.26% and Consumer Price Index rose by 11.1% in 12 months to October 2022. Inflation is predicted to fall to 4% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets.</p> <p>Construction inflation has risen to c20%.</p> <p>Pinch points have been identified by finance business partners and discussed with senior members and Committee Chairmen as part of the bilateral process supporting budget setting. Mitigations currently include inflation contingencies and tight financial disciplines.</p> <p>Income from investment property has slightly fallen however plans are in place to bring this back to budget.</p> <p>During the last quarter, the trigger point was reached on capital programme. This led to a review on major projects programme and BAU capital programmes.</p> <p>Policy and Resources Committee has reprioritised the major projects; and rescoped the Markets project – keeping within the original envelope.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>8</p>	<p>31-Mar-2023</p>	

<p>31-Oct-2022 Caroline Al-Beyerty</p>				<p>Resource Allocation Sub Committee has reprioritised the BAU capital programme to remain within the contingency held.</p> <p>The CWP programme is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee. For now, the CWP programme will pause on new requests to carry out a deep dive review alongside the Operational Property review.</p> <p>Quarter 2 reporting confirms identified inflationary pressures are well within the contingencies held.</p> <p>The risk remains at red.</p> <p>02 Dec 2022</p>			<p>Reduce</p>	<p>Constant</p>
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	<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 five year financial plan is currently being reworked for 2023/24 budget cycle:</p> <p>1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving;</p> <p>2) £1m contingency ringfenced for construction inflation under capital programme. Reprioritisation of BAU capital programme sits within contingency held.</p>	Sonia Virdee	02-Dec-2022	31-Mar-2023
CR38b	<p>Impact of construction inflation on capital programme:</p> <ul style="list-style-type: none"> • Major projects • Business as usual capital programme 	<p>£400m cost pressure identified for the major projects across City Fund and City's Cash. Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.</p>	Sonia Virdee	02-Dec-2022	31-Mar-2023

		<p>Resource Allocation Sub Committee has considered and approved actions on the capex programme, this remains within the overall budget with mitigations now identified.</p> <p>Resource Allocation Sub Committee has considering and approved actions on the capex programme, this remains within the overall budget.</p> <p>Capital Buildings Committee monitoring delivery within the revised budget envelopes.</p> <p>Periodic reporting on capital position to Finance Committee.</p>			
CR38e	<p>A reduction in key income streams and increase in bad Debt</p> <p><i>Triggers:</i> <i>Increase in loss of property investment portfolio income over £5m p.a.</i></p>	<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>Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property.</p>	Phil Black; Sonia Virdee	02-Dec-2022	31-Mar-2023
CR38f	<p>Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).</p>	<p>Star chambers led by the Chamberlain and Town Clerk have taken place to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments that have not achieved year on year permanent savings.</p>	Sonia Virdee	02-Dec-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	<p>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.</p> <p>Event: Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future.</p> <p>Effect: Chamberlain's Department fails to deliver its objectives.</p>	 <p>Likelihood</p> <p>Impact</p>	12	<p>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.</p> <p>Learning plans are being developed with the Learning Champions for review and sign off at the December Board.</p> <p>Following a series of workshops teams are now working on transformation action plans and defining roles. These plans have been used to draft the Departmental Business Plan for 2023-24.</p> <p>01 Dec 2022</p>	 <p>Likelihood</p> <p>Impact</p>	4	31-Mar-2023	
							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	01-Dec-2022	31-Dec-2022
CHB001b	Colleagues are provided with the training they need to fulfil their role.	Learning champions have been assigned to identified learning areas required. Learning plans are being developed with the Learning Champions for review and sign off at the December Board.	Mark Jarvis	01-Dec-2022	31-Mar-2023
CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	A culture and values workshop was held in November for all staff to allow colleagues across Chamberlain's the opportunity to shape the departmental culture for the future. Collation of	Hayley Hajduczek	01-Dec-2022	31-Mar-2023

		the ideas from discussions held at the event is underway, SLT will agree and action plan to follow up and assign tasks as necessary.			
CHB001d	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity.	<p>Many vacancies across Chamberlain's have now been filled with some still remaining mostly within the Financial Services team. Increased vacancies in Financial Services as staff progress to roles in other teams. A group recruitment campaign to fill these vacancies is currently underway - It is an employee's market and inducements are being offered by other employers with higher rates and working from home flexibility.</p> <p>A renewed focus is taking place on 'training our own' through a wider apprenticeship programme and graduate trainee recruitment.</p>	Sonia Virdee	02-Dec-2022	31-Jan-2023