

<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee	18 April 2023
<b>Subject:</b> Chamberlain's Departmental Risk Management Update	<b>Public</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Leah Woodlock, Chamberlain's Department	

### Summary

This report has been produced to provide the 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 one RED risk on the Chamberlain's departmental risk register. The red corporate risk **CR35 Unsustainable Medium Term Finances - City Fund** following the approval of the 2023/24 budget by the Court of Common Council has reduced from risk score RED 24 to risk score AMBER 12. In addition, the **CR38 Unsustainable Medium Term Finances - City's Cash** remains at red but has decreased from RED 24 to RED 16.

### 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

This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's Department up to the 31<sup>st</sup> March 2023. The risk register is now being further reviewed in light of the 2023/24 financial year, an update will be submitted to the May committee meeting.

2. The **CR35 Unsustainable Medium Term Finances - City Fund** following the approval of the 2023-24 City Fund budgets by Court of Common Council in March 2023, the risk score has decreased from RED 24 to AMBER 12.
3. This risk has been mitigated by the increase in the Business Rates Premium and the approved Council Tax increase. Contingency measures have also been adopted to mitigate 2023/24 pressures. Monthly reporting on major project programmes will be provided to Finance Committee, Capital Buildings Board and Policy and Resources Committee going forward.
4. The 2023/24 City's Cash five year financial forecast was approved by Court of Common Council in March 2023, however the **CR38 Unsustainable Medium Term Finances - City's Cash** risk score has also decreased, however still remains at RED as further attention is needed on the long-term financial plan as forecasts show a requirement to drawdown on financial instruments.
5. A savings tracker is being developed to monitor savings delivered throughout 2023/24, this tool will be presented to members at the Resource Allocation Sub-Committee Away Day.
6. Details of both CR35 and CR38 can be found in appendix 1.

### **Conclusion**

7. 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.

### **Leah Woodlock**

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Chamberlain's Department

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# CHB Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Leah Woodlock

Generated on: 16 March 2023



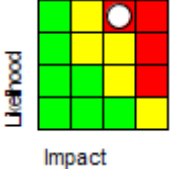
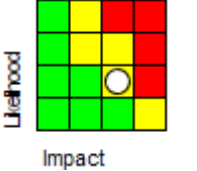

Rows are sorted by Risk Score

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
<b>CR35 Unsustainable Medium Term Finances - City Fund</b>	<p><b>Causes:</b> High inflation – Office for Budget Responsibility forecasting peak reached Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices. Police Transform programme fails to realise the budget mitigations anticipated within the MTFP. Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile.</p> <p><b>Event:</b> Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation to meet the Corporation’s forecast medium term financial deficit will not be realised. Inability to</p>	 Likelihood Impact	<b>12</b>	<p>Retail Price Index rose by 13.8% and Consumer Price Index rose by 10.4% in 12 months to February 2023. Inflation is predicted to fall between 6% to 8% 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 rose to c20% and we are not seeing a drop</p> <p>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</p>	 Likelihood Impact	<b>8</b>	31-Mar-2023	↓

<p>19-Jun-2020 Caroline Al-Beyerty</p>	<p>contain construction inflation or inability to rescope capital schemes within budgets.</p> <p><b>Effects:</b> 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. Being unable to set a balanced budget which is a statutory requirement for City Fund.</p> <p>Inability to deliver capital programme and major projects within affordability parameters.</p> <p>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>income loss has not been utilised. The major projects programme and BAU capital programme was reprioritised by Policy and Resources Committee in 2022.</p> <p>The CWP programme and the bow-wave of repairs is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee.</p> <p>Identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances. The Bank of England base rate rose to 4.25% at end of March 2023, with an expectation at a three year horizon falling to 3%.</p> <p>The risk has reduced, the medium term financial plan was approved by Court of Common Council on 9 March, which includes contingency measures to support 2023/24 pressures.</p> <p><b>05 April 2023</b></p>				<p>Reduce</p> <p>Constant</p>
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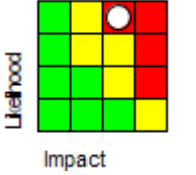
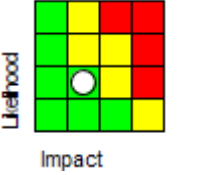

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	<p>Impact of inflation</p> <ul style="list-style-type: none"> <li>• Rising inflationary pressures on energy costs</li> <li>• Rising inflationary pressures on construction and labour costs</li> </ul>	<p>1) Inflation contingency held: 22/23 inflationary pressures are well within contingencies held. 23/24 includes 2% contingencies held centrally.</p> <p>2) CF - £3m contingency ringfenced for construction inflation under Major Projects reserve.</p>	Sonia Virdee	03-Apr-2023	31-Mar-2024

		The MTFP has been approved. Mitigations approved included: increase in Business Rate Premium; rise in core Council Tax and Adult Social Care; central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures; transformation funding held centrally to support Resource Prioritisation Refresh workstreams and the culture shift. .			
CR35b	<ul style="list-style-type: none"> <li>Review of HRA commissioned and due to report at the end of November 2022.</li> <li></li> <li>Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.</li> <li>Housing 30 year financial projects have been completed.</li> </ul>	<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, following member review and comments, final version now received and went to DCCS in March. Housing are now looking at detailed options following up on the report, to come back to Committee for agreement in the autumn. Housing 30 year financial projects have been completed.</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. Legal opinion is being sought on wider issue of recovery of costs through the service charge, particularly on the Golden Lane Estate.</p>	Mark Jarvis; Paul Murtagh	17-Feb-2023	31-Mar-2024
CR35c	Remain within the financial envelopes approved for major projects .	For Major Projects – Capital Buildings Board monitors delivery within the revised budget envelopes. Monthly updates on the cash flow requirements on the major projects are provided to Policy and Resources Committee and Finance Committee to understand the investment/asset disposal strategy Regular reporting on the major projects programmes will be presented to Capital Buildings Board, Finance Committee, and Policy and resources Committee on a monthly basis.	Sonia Virdee	03-Apr-2023	31-Mar-2024
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) Update on the MTFP assumptions is being presented to this committee today as part of the 2023/24 budget setting.</p> <p>The medium term plan provides recommendations for one-off cost pressures and on-going pressures.</p> <p>A summary of savings yet to be delivered during 2023/24 is being worked on and will be presented to RASC sub away day.</p>	Alistair Cook; Sonia Virdee	03-Apr-2023	30 – June - 2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CR38</b> <b>Unsustainable Medium Term Finances - City's Cash</b>  31-Oct-2022	<p><b>Causes:</b> 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><b>Event:</b> 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><b>Effects:</b> 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>		<b>16</b>	<p>Refer CR35 for Price Index and inflation rates.</p> <p>Mitigations include inflation contingencies and tight financial disciplines. identified inflationary pressures are well within the contingencies held.</p> <p>Income from investment property has slightly fallen, however plans are in place to bring this back to budget.</p> <p>Policy and Resources Committee has reprioritised the major projects; and rescoped the Markets project – keeping within the original envelope. 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.</p> <p>The 5 year financial forecast was approved by Court of Common Council on 9<sup>th</sup> March, however the risk remains at red as City’s Cash is unable to levy taxes in the same way City Fund can – City’s Cash long term financial plan is running at a deficit which still needs to be addressed.</p> <p><b>05 Apr 2023</b></p>		<b>8</b>	31-Mar-2024	

Caroline Al-Beyerty							Reduce	Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	Impact of inflation <ul style="list-style-type: none"> <li>• Rising inflationary pressures on energy costs</li> <li>• Rising inflationary pressures on construction and labour costs</li> </ul>	The five year financial plan was approved by Court of Common Council on 9 March:  1) Inflation contingency held: 22/23 inflationary pressures are well within contingencies held. 23/24 includes 2% contingencies held centrally.  2) £1m contingency ringfenced for construction inflation under capital programme. Reprioritisation of BAU capital programme sits within contingency held.	Sonia Virdee	03-Apr-2023	31-Mar-2024
CR38b	Impact of construction inflation on capital programme: <ul style="list-style-type: none"> <li>• Major projects</li> <li>• Business as usual capital programme</li> </ul> Remain within the financial envelopes approved for major projects	For Major Projects - Capital Buildings Committee monitoring delivery within the revised budget envelopes. Monthly updates on the cash flow requirements on the major projects are provided to Policy and Resources Committee and Finance Committee to understand the investment/asset disposal strategy.	Sonia Virdee	03-Apr-2023	31-Mar-2024
CR38e	A reduction in key income streams and increase in bad Debt <i>Triggers:</i> <i>Increase in loss of property investment portfolio income over £5m p.a.</i>	This is being monitored monthly, with action being taken to reduce spend where possible.  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.  Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property.	Phil Black; Sonia Virdee	11-Jan-2023	30 June - 2024
CR38f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	A summary of savings yet to be delivered during 2023/24 is being worked on and will be presented to RASC sub away day.	Sonia Virdee	03-Apr-2023	31-Mar-2024

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>CHB 001</b> <b>Chamberlain's department transformation and knowledge transfer</b>  12-Nov-2021 Caroline Al-Beyerty	<p><b>Cause:</b> The TOM changes are insufficient or implementation of radical change fails. The flexible retirement scheme has been taken up by many long term colleagues who left the corporation by March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere.</p> <p><b>Event:</b> Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future.</p> <p><b>Effect:</b> Chamberlain's Department fails to deliver its objectives.</p>		<b>16</b>	<p>Three of the four teams within Chamberlain's are now fully resourced and the CIO function commenced in January.</p> <p>A key risk remains within Financial Services Division- Recruitment is now underway where vacancies have been held, with key roles being prioritised. Management is deploying temps and external expertise where there are significant gaps to support the current team until permanent positions are filled.</p> <p>There is considerable pressure on existing staff and risk of not meeting key deadlines on transformation. However, a plan is underway to support the team to get back on track.</p> <p>Following a series of workshops teams are now working on implementation of transformation action plans.</p>		<b>4</b>	31-Mar-2023	
							Reduce	
				<b>03 Apr 2023</b>				

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB001a	Teams 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 1 role left where a continued handover has been required to ensure business continuity and support the transformation programme.	Sonia Virdee	03-Apr-2023	30-June-2023



CHB001b	Colleagues are provided with the training they need to fulfil their role.	<p>Learning champions have been assigned to identified learning areas required. Learning plans are being developed by Learning Champions for review and sign off by the Learning Board.</p> <p>All Chamberlain's staff communications detailing the offering of the learning and development champions was circulated in March, with the first learning and development drop in session was held at the end of March.</p>	Mark Jarvis	03-Apr-2023	30 -June -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. The final part of the Chamberlain's Departmental Vision has been finalised as a result based on discussions held at the all staff event which includes the behaviours we want to see exhibited by colleagues across the team. This vision will be used within the corporate appraisal process to ensure a continuation of the golden thread. This information was shared with all colleagues at the March all staff call and has been shared on our Departmental intranet.	Anna Flashman	23-Mar-2023	31-Mar-2024
CHB001d	The corporate recruitment moratorium has led 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 multiagency 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. The second round of recruitment was extremely challenging, with a long list of 29 candidates, 11 candidates were shortlisted. 6 candidates pulled their application due to wanting to work from home full time. Market Forces Supplement (MFS) – has now been considered, however this places pressure on the Chamberlain's – Financial Services Division budget as this has already made significant savings and having to recruit interims at the market rates.</p> <p>Resignation of the Assistant Director and Chief Accountant positions moved the risk rating to red, placing a considerable amount of pressure on existing staff and adding further risk of not meeting key deadlines on transformation. However, two interim Assistant Directors have been appointed, one to support business as usual and the other to focus on the transformation work. Permanent recruitment to the Assistant Director position is underway – with final interviews scheduled week commencing 10<sup>th</sup> April. An interim Chief Accountant has also been appointed. Recruitment to the Chief Accountant permanent position has been paused giving time to refocus on the current workloads and appoint into other vacant positions.</p> <p>A renewed focus is taking place on 'training our own' through a wider apprenticeship programme and graduate trainee recruitment.</p>	Sonia Virdee	03-Apr-2023	30-Sept-2023
CHB001e	Following the resignation of the Assistant Director the team are now required to reprioritise to focus on core financial work including statutory deadlines, due to the capacity gap that this vacancy creates along with those already existing within the team.	<p>A plan has been drawn up by the team to ensure most pressing work is covered, which will lead to some work being deprioritised in the interim and a possible shift in target completion dates.</p> <p>An update on FSD will be provided to the Finance Committee on a quarterly basis.</p>	Sonia Virdee	03-Apr-2023	30-Sept-2023