

Committee(s)	Dated:
Finance Committee – For information	16 May 2023
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: 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 is currently one RED risk on the Corporate Risk Register within the responsibility of the Chamberlain and one RED risk on the Chamberlain’s departmental risk register. The Chamberlain’s corporate and departmental risks have been reviewed for the 2023-24 financial year. The target dates for **CR38 Unsustainable Medium Term Finances - City’s Cash** and **CR35 Unsustainable Medium Term Finances - City Fund** are now set to 31st March 2024, to enable further monitoring of the risks and the applicable mitigations in place to reduce the risk ratings and scores.

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. The Finance Committee has determined that it will receive the Chamberlain’s risk register at each meeting.

Current Position

This report provides an update on the current risks that exist in relation to the operations of the Chamberlain’s Department. The risk register has been reviewed for the 2023/24 financial year, which is reflected in the appendix of this report.

2. The **CR35 Unsustainable Medium Term Finances - City Fund** risk score is currently AMBER 12. The risk target date for this risk has been amended to 31st March 2024 to ensure that the close monitoring of the impact of inflation, delivery of major projects and achievement of the savings programme will continue and continue to be reported to this committee on a regular basis.
3. The sustained achievement of savings has been positively impacted by City of London Police's £6m of new mitigations achieved in 2022/23. The mitigation will continue to be monitored due to the sustainability of £4.6m savings required from 2023/24 onwards due to internal and external pressures including inflation and new pressures impacting policing.
4. The **CR38 Unsustainable Medium Term Finances - City's Cash** risk score still remains at RED and has been extended to 31st March 2024, as further attention is needed on the long-term financial plan with current forecasts showing a requirement to drawdown on financial instruments.
5. The Financial Leadership Group are discussing at their May meeting the approach to budget setting for 2024/25 and preparation of the Medium Term Financial Plan, with proposed assumptions to be discussed with Members at the Resource Allocation Sub-Committee Away Day, in addition to a savings monitoring tool.
6. Details of CHB001, 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.

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Appendix 1 - Departmental Risk Register

CHB Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS




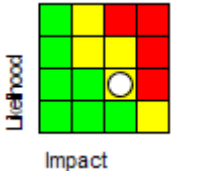
Report Author: Leah Woodlock
Generated on: 02 May 2023

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
CR35 Unsustainable Medium Term Finances - City Fund 03-May-2023 Caroline Al-Beyerty	<p>Causes: High inflation – Office for Budget Responsibility forecasting peak reached Autumn 2022 and although predicted to fall over the next two years, embedded increases.</p> <p>Construction inflation running at 5% for 2023/24. Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023/24.</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 (2023/24) and deliver sustainable savings already baked in and/or increase 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>	 Likelihood Impact	12	<p>Retail Price Index rose by 13.5% and Consumer Price Index rose by 10.1% in 12 months to March 2023. Inflation is predicted to fall 6.1% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2023/24 budgets to make further savings.</p> <p>Construction inflation is forecast at 5% for 2023/24</p> <p>The Bank of England base rate rose to 4.25% at end of March 2023 (next review 11 May), 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>	 Likelihood Impact	8	31-Mar-2024	
							Reduce	

Being unable to set a balanced budget which is a statutory requirement for City Fund. 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.							
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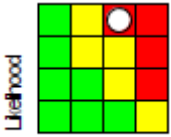
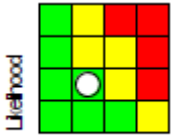

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	Impact of inflation <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	<p>2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award.</p> <p>Mitigations approved by CoCo in March 2023 include: increase in Business Rate Premium; rise in core Council Tax and Adult Social Care; rise in HRA rents; 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.</p> <p>Identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances.</p> <p>The £30m ringfenced reserves released to support the backlog of urgent Cyclical Works Programme.</p> <p>£3m contingency ringfenced for urgent health and safety works under capital programme.</p>	Sonia Virdee	03-May-2023	31-Mar-2024
CR35b	<ul style="list-style-type: none"> • Capital schemes forecast to exceed budget. • Review of HRA commissioned and due to report at the end of November 2022. • 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>Close monitoring of capital schemes is required during 2023/24. Regular reporting of capital forecasts is now planned into the forward plan.</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 and will go to Finance in May. Housing are now looking at detailed options following up on the report, to come back to Committee for agreement in the autumn.</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 case.</p> <p>The latest five year financial projections show the revenue funding position remains precarious and vulnerable to revenue overspends or significantly rising capital costs (leading to higher loan repayments and interest charges)</p>	Mark Jarvis; Paul Murtagh	28-Apr-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, Investment Board 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 and draw down requirements to the Investment Committee.	Sonia Virdee	03-May-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 - £12m+ p.a. cumulative savings included in MTFP, including £4.6m savings for 23/24 onwards. There remains a continuing risk to sustaining the delivery of savings of this scale, alongside delivering against the National Officer Uplift programme. Increase in Business Rates Premium approved by CoCo in March 2023 helps mitigate future Police deficits.</p> <p>The medium term plan provides recommendations for one-off cost pressures and on-going pressures.</p> <p>An officer star chamber is being held over the next two months to review savings yet to be delivered during 2023/24 and will be presented to RASC sub away day.</p>	Alistair Cook; Sonia Virdee	03-May-2023	30-Jun-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
CR38 Unsustainable Medium Term Finances - City's Cash 03-May-2022 Caroline Al-Beyerty	<p>Causes: High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022 and although predicted to fall over the next two years, embedded increases.</p> <p>Construction inflation running at 5% for 2023/24.</p> <p>Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023.</p> <p>Event: Inability to contain financial pressures within year (2022/23) and deliver sustainable savings already baked in and/or increase 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>		16	Refer CR35 for Price Index and inflation rates. The 5 year financial forecast was approved by Court of Common Council on 9th 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. 03 May 2023		8	31-Mar-2024	↓
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	Impact of inflation <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	The five year financial plan was approved by Court of Common Council on 9 March: 2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award. Mitigations approved by CoCo in March 2023 include: central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures;	Sonia Virdee	03-May-2023	31-Mar-2024

		transformation funding held centrally to support Resource Prioritisation Refresh workstreams and the culture shift. Additional funding allocated to support the backlog of urgent Cyclical Works Programme. £3m contingency ringfenced for urgent health and safety works under capital programme.			
CR38b	Impact of construction inflation on capital programme: • Major projects • Business as usual capital programme Remain within the financial envelopes approved for major projects	Refer to CR35c.	Sonia Virdee	03-May-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. Budget forecast for 22/23 included 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.	Phil Black; Sonia Virdee	03-May-2023	30-Jun-2024
CR38f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	The five year financial plan provides recommendations for one-off cost pressures and on-going pressures. An officer Star Chamber is being held over the next two months to review savings yet to be delivered during 2023/24 and will be presented to RASC sub away day.	Sonia Virdee	03-May-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
CHB 001 Chamberlain's department transformation and knowledge transfer	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 its objectives.	 Likelihood Impact	16	Three of the four teams within Chamberlain's are now fully resourced and the CIO function commenced in January. A key risk remains within Financial Services Division- Recruitment is 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.	 Likelihood Impact	4	31-Mar-2024	

12-Nov-2021 Caroline Al-Beyerty			<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> <p>03 May 2023</p>			Reduce	Constant
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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.	All areas have now successfully transitioned through this period successfully.	Sonia Virdee	03-May-2023	31-Mar-2024
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> <p>Introductory Power BI Course is being offered to staff in May, to respond to reporting and displaying data upskilling.</p> <p>Staff are being encouraged to attend available courses during Learning Week.</p>	Mark Jarvis	03-May-2023	31-Mar-2024
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. An action plan was subsequently produced in response to the feedback provided and progress will be reported at the all staff call in June. 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	05-Apr-2023	31-Mar-2024

CHB001d	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity.	<p>Vacancies across Chamberlain's have now been filled with the exception of a number remaining in the Financial Services team A multiagency recruitment campaign took place during April to fill 5 critical vacancies, a total of 18 external and 1 internal applicants applied, shortlisting is underway with interviews being scheduled over the next few weeks - It is an employee's market and inducements are being offered by other employers with higher rates and working from home flexibility. The previous 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, an update was taken to this committee in April.</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. Two interim Assistant Directors were appointed earlier this year, one to support business as usual and the other to focus on the transformation work. The Permanent Assistant Director position has been successfully recruited to with a start date of 31 July, , however since the appointment one of the interim Assistant Director's (which supported BAU) has left to take on another interim role. The Financial Services Director will not be looking to make another appointment to bridge the three month gap and will share the duties between the other interim Assistant Director and herself.. 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-May-2023	31-Mar-2024
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 was taken to this committee in April and will be provided to the Finance Committee on a quarterly basis.</p>	Sonia Virdee	03-May-2023	31-Mar-2024