

SUR Departmental risks - detailed report EXCLUDING COMPLETED ACTIONS for COMMITTEE

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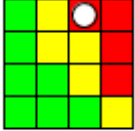
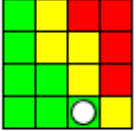

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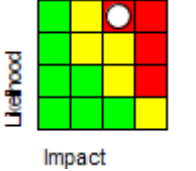
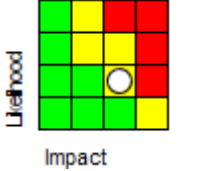

Rows are sorted by Risk Score

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
SUR SMT 005 Construction Price Inflation 14-Oct-2021 Ola Obadara	Cause: Market conditions have led to input price inflation Event: Project and programme cost escalation Impact: Inability to delivery capital and revenue projects within budget	 Likelihood Impact	16	Material costs and labour availability are combining to raise costs. Construction inflation is forecast to level out over the coming months, although not reduce. Existing contracts will continue to suffer from costs in excess of those initially anticipated at project commencement. Market conditions remain dynamic and will be kept under review. At this time it is felt appropriate that the risk score remain at its current level.	 Likelihood Impact	6	31-Mar-2024	
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 005a	Procurement Strategy	<p>The department is working with legal and procurement to identify different buying options, 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>	Ola Obadara	02-Jun-2023	31-Mar-2024
SUR SMT 005d	Contracts	Chamberlain's procurement and the department have explored the inclusion of fluctuating provisions in our contracts. This action has resulted in attracting a greater number of contractors to bid on projects, however the inflation risk has been transferred to the organisation. The value of this approach will be continually reviewed.	Ola Obadara	02-Jun-2023	31-Mar-2024
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	02-Jun-2023	31-Mar-2024
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	02-Jun-2023	31-Mar-2024

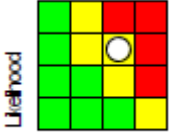


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SUR SMT 006 Construction Consultancy Management	Cause: Poor performance by consultants Event: Abortive work, delays, or non-performance. Impact: Additional costs, project delays	 Likelihood Impact	16	<p>This relates to abortive design / development.</p> <p>The department continues to suffer the impacts of this risk, with action being taken against consultants when their performance does not meet expectations.</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 Impact	4	31-Mar-2024	
14-Oct-2021 Ola Obadara				02 Jun 2023			Reduce	Constant

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 is designed to prevent abortive design and development. This change followed close work with the procurement team in Chamberlain's. The impact of this change will be tracked over the coming months.	Ola Obadara	02-Jun-2023	31-Mar-2024
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. Where performance has been poor action has been taken against consultants – these cases increase end-to-end timescales.	Ola Obadara	02-Jun-2023	31-Mar-2024
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	02-Jun-2023	31-Mar-2024
SUR SMT 006d	Scope of works	The team is reviewing and tightening up the scope of works specification. This will counter opportunistic interpretations of the scope of works that we were seeing from some consultants.	Ola Obadara	02-Jun-2023	30-Sep-2023

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SUR SMT 009 Recruitment and retention of property professional	<p>Cause: 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>Event: 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>Impact: 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>16</p>	<p>This risk has been identified within a number of divisions within the City Surveyor’s Department. The impacts vary by Group with the risk being particularly acute in Investment Property, Surveying and Project Management.</p> <p>This is aligned to pressures faced in other City departments, and CSD is engaging with corporate colleagues to ensure that the particular pressures felt within this department are understood broadly. This is reflected within the 8 themes identified and communicated by Corporate HR.</p> <p>The City’s pay and reward review has recently commenced (January 2023) and the external consultancy Corn Ferry will be assisting in this analysis. The City Surveyor has scheduled meetings.</p> <p>The City’s revised workplace posture (minimum 2 days in-the-office working) is being seen as a positive by staff and assists in the retention of staff who may otherwise leave for greater reward packages at competitor organisations.</p> <p>Whilst these activities are being pursued corporately, the department continues to ensure that it does everything it can do internally to mitigate this risk.</p>		<p>8</p>	<p>31-Mar-2023</p>	

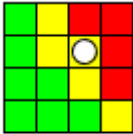
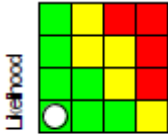

21-Jan-2022				02 Jun 2023				Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
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.	Paul Wilkinson	02-Jun-2023	31-Mar-2024
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. CSD is supporting the work of Corporate HR in moving towards all on-line appraisal documentation. This will enable greater tracking of compliance.	Paul Wilkinson	02-Jun-2023	31-Mar-2024
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	02-Jun-2023	31-Mar-2024
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 Risk on "Recruitment and Retention" (CR39).	Paul Wilkinson	02-Jun-2023	31-Mar-2024
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. There is corporate HR representation on this departmentally-led Group.	Ola Obadara	02-Jun-2023	31-Mar-2024
SUR SMT 009f	Pay and Review Survey	The Corporation is reviewing pay & reward and the department is feeding into this activity. The department has highlighted that there are specific pressures within this department which may make the issue more acute within CSD roles.	Paul Wilkinson	02-Jun-2023	31-Mar-2024

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SUR SMT 003 Investment Strategy Risk 17-May-2021 Robert Murphy	Cause: 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. Event: Lower rental levels achieved, lower demand, increased turnover of tenancies, increased tenant failure Impact: Inability to maximise property returns and income for an acceptable level of risk	 Likelihood Impact	12	<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>Rent arrears built up over the Covid-19 period are now being handled in line with business-as-usual. The arrears across the estate are now under 5%, reflecting the significant work undertaken by the department's Asset Managers to mitigate the worst impacts of Covid-19 on the Corporation's income.</p> <p>Greater economic uncertainty is being tracked by the team, particularly in regard to interest rates, and inflation.</p> <p>The department will be undertaking a tenant survey in June/July by RealService.</p> <p>02 Jun 2023</p>	 Likelihood Impact	8	31-Mar-2024	 Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 003a	Macro-economic The strategy is to maintain a diverse portfolio that reduces the impact of this risk. This includes: 1. Use (office, retail, industrial)	The actions described are being undertaken and reviewed regularly with the Assistant Directors. Consideration includes the potential for recession, inflation, energy pricing etc, and how this will impact tenants and the wider market.	Robert Murphy	02-Jun-2023	31-Mar-2024

	<p>2. Location (City, Southwark, West End etc.)</p> <p>3. Tenancies (Long term Headlease geared, FRI, directly managed)</p> <p>4. Covenants (multinationals, SME)</p> <p>5. Asset management (lease renewals, voids, arrears, etc)</p> <p>6. Monitoring retail habits in change of building use</p>				
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>	Robert Murphy	02-Jun-2023	31-Mar-2024
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 City Of London are meeting the emerging needs of tenants.</p>	Robert Murphy	02-Jun-2023	31-Mar-2024
SUR SMT 003d	<p>Office risk</p> <p>Reviewing post-pandemic office use and demand.</p>	<p>The department is monitoring key market use through data supplied by partners (such as football 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, particularly in highlighting market trends to Members and key stakeholders.</p>	Robert Murphy	02-Jun-2023	31-Mar-2024
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 on tourism, which is only now returning to activity seen pre-pandemic.</p>	<p>Arrears built up over the COVID-19 period are now being managed in line with existing business-as-usual activity.</p> <p>The City Surveyor’s Department continues to engage with peers to understand retail market impacts. Regular arrears monitoring, including the provision of bi-monthly dashboards Rental collection snapshot is being produced by Chamberlain’s Department..</p>	Robert Murphy	02-Jun-2023	31-Mar-2024

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SUR SMT 010 Insurance - Investment and Corporate Estates 26-May-2022	<p>Cause: 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>Event: 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>Impact: 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>	 Likelihood Impact	12	<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 Investment Property Group estate and Corporate buildings (other than special sites) was undertaken in 2015. Funding has recently been identified and a budget is now in place. Instructions are being made to our contractors such that they can proceed with delivery. Once this is in train the risk score should start to reduce towards target.</p>	 Likelihood Impact	1	31-Mar-2024	 Constant
							Reduce	

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).	Robert Murphy	02-Jun-2023	30-Sep-2023
SUR SMT 010b	Funding	Where leases allow, the cost can be recovered from commercial tenants, and operational occupiers as appropriate. Funding has been agreed and a budget line identified (Jan 2023). As this is now in place instructions are due to be placed with contractors such that this activity can progress.	Robert Murphy; John James	02-Jun-2023	31-Mar-2024
SUR SMT 010c	Delivery	The delivery of this activity will be done by an external party, and the tender is scheduled to be published June/July period. The department is currently working with Procurement to ensure the optimal route to market.	Robert Murphy	02-Jun-2023	31-Mar-2024

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SUR SMT 011 Contractor Failure 13-Feb-2023	Cause: Market conditions Event: Failure of either a main contractor, or a substantial sub contractor Impact: Delayed delivery of projects, or the delivery of projects at a higher cost	 Likelihood Impact	12	This risk relates to the failure of a main contractor, or a main sub contractor. Particularly with the second of these elements the City Corporation does not have significant influence over who is commissioned to undertake work. 02 Jun 2023	 Likelihood Impact	4		 Constant
							Avoid	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 011a	Tendering	The department has commenced work with Procurement to ensure that our commissioning takes greater account of contractor and sub-contractor failure. We may need to have a greater say in who a main contractor identifies as an appropriate sub-Contractor. Further actions to follow this initial engagement.	Ola Obadara	02-Jun-2023	31-Mar-2024
SUR SMT 011b	Review Process	The department is instituting six-monthly reviews of contractor suitability. Historically this only happened at contract commencement. This will better prepare the organisation should the contractor (or significant sub-contractor) begin to experience difficulty.	Ola Obadara	02-Jun-2023	31-Mar-2024