

SUR Departmental risks - detailed report EXCLUDING COMPLETED ACTIONS for COMMITTEE

Report Author: Faith Bowman

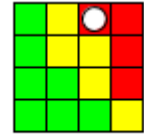
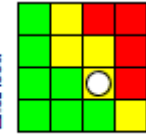

Generated on: 31 August 2023



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
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		Constant

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, 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). 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.	Ola Obadara	18-Aug-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	18-Aug-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	18-Aug-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	18-Aug-2023	31-Mar-2024

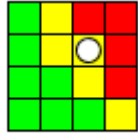
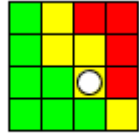
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 006a	Commissioning stage	The department has commenced going to market at RIBA stage 3 rather than RIBA stage 4. This is designed to prevent abortive design and development. This change followed close work with the procurement team in Chamberlain's. The impact of this change will be tracked over the coming months.	Ola Obadara	18-Aug-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	18-Aug-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	18-Aug-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	18-Aug-2023	30-Sep-2023
SUR SMT 006e	Review of appointment documents	The City Surveyor's Department is seeking funding to undertake a review of some of the appointment documentation. This will be with the view that action could be taken where required, and any lessons can be applied to future appointment.	Ola Obadara	24-Aug-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
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>Likelihood</p> <p>Impact</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 Korn Ferry will be assisting in this analysis.</p> <p>The department has also fed back into the Target Operating Model (TOM) report, being authored by Town Clerk’s Department. The TOM programme has been seen by many staff as challenging, and ideally lessons can be learned for future change programmes, both in CSD and outside. 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</p>	 <p>Likelihood</p> <p>Impact</p>	<p>8</p>	<p>31-Mar-2023</p>	

21-Jan-2022			<p>staff who may otherwise leave for greater reward packages at competitor organisations. This assessment is supported by CIPFA analysis which highlights that 50% of local authorities have moved to remote working, and 68% of employees go into the office for meetings or for 1-2 days.</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>24 Aug 2023</p>				Reduce	Constant
-------------	--	--	--	--	--	--	--------	----------

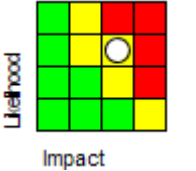
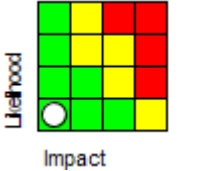
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 009a	Advertising	The department and the HR Business Partner has produced a recruitment best practice document, which includes ensuring that vacant posts are advertised in areas which will generate interest from suitably 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"	Paul Wilkinson	24-Aug-2023	31-Mar-2024

		(CR39). CR39 is subject to a "deep dive" from Audit and Risk Management Committee, and the City Surveyor's Department will review any outcomes from this consideration.			
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. It should be noted that the earlier reward scheme (where those on top-of-grading salaries could achieve performance related pay) was withdrawn prior to the review conclusions, and this has made our local offer less competitive than our peers.	Paul Wilkinson	24-Aug-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
<p>SUR SMT 003 Investment Strategy Risk</p> <p>17-May-2021 Robert Murphy</p>	<p>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.</p> <p>Event: Lower rental levels achieved, lower demand, increased turnover of tenancies, increased tenant failure</p> <p>Impact: Inability to maximise property returns and income for an acceptable level of risk</p>	 <p>Lifehood</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>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 with results due in September.</p> <p>The on-going mitigation of this risk is important for the organisation achieving its aspirations regarding Climate Action Strategy and Major Programmes, due to the income generated by the function.</p> <p>As the composition of the portfolio changes, new skills will be required by those working within the function. This then links closely with the department's Recruitment & Retention risk (SUR SMT 009).</p> <p>24 Aug 2023</p>	 <p>Lifehood</p> <p>Impact</p>	<p>8</p>	<p>31-Mar-2024</p> <p>Reduce</p>	<p>■</p> <p>Constant</p>

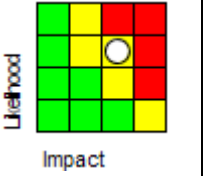
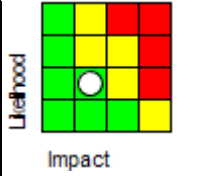
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 003a	<p>Macro-economic</p> <p>The strategy is to maintain a diverse portfolio that reduces the impact of this risk. This includes:</p> <ol style="list-style-type: none"> 1. Use (office, retail, industrial) 2. Location (City, Southwark, West End etc.) 3. Tenancies (Long term Headlease geared, FRI, directly managed) 4. Covenants (multinationals, SME) 5. Asset management (lease renewals, voids, arrears, etc) 6. Monitoring retail habits in change of building use 	<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>	Robert Murphy	18-Aug-2023	31-Mar-2024
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	18-Aug-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	18-Aug-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	18-Aug-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>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	24-Aug-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
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>		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> <p>24 August 2023</p>		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	18-Aug-2023	31-Dec - 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.	John James; Robert Murphy	18-Aug-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	Robert Murphy	18-Aug-2023	31-Mar-2024

		the optimal route to market.			
--	--	------------------------------	--	--	--

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 011 Contractor Failure 13-Feb-2023 Ola Obadara	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		12	This risk relates to the failure of a main contractor, or a main sub contractor. Particularly with the second of these element the City Corporation does not have significant influence over who is commissioned to undertake work. 18 August 2023		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	18-Aug-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	18-Aug-2023	31-Mar-2024

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 012a	Project Review & Claims Consultant	The department is reviewing projects alongside the contracts to understand our position. Further, we have engaged external Claims Consultants to ensure that the City's position is protected, and risks managed.	Ola Obadara	31-Aug-2023	31-Mar-2024