

<b>Committee:</b> Investment Committee	<b>Dated:</b> 22 September 2023
<b>Subject:</b> Risk Register for Investment Committee	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>All</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 City Surveyor (CS 265/23) and the Chamberlain	<b>For Decision</b>
<b>Report author:</b> Priya Nair – Chamberlain's Department John Galvin and Faith Bowman – City Surveyor's Department	

### Summary

This report has been produced to provide Members of Investment Committee (IC) with an update on the management of risks within the City Corporation on activities relevant to this Committee. The information presented relate to activity within the City Surveyor's Department (CSD, Appendix B) and the activity around the treasury function and City's Cash financial investments, which is managed by the Corporate Treasury Team in the Chamberlain's Department (Appendix C).

This is the first time that Investment Committee will see risks from different parts of the organisation in one report.

The risks presented by the CSD are departmental and, in line with the Corporate Risk Management Policy and Strategy (2021), these will be presented to IC quarterly. Those relating to Corporate Treasury are functional risks, so are not governed by the same requirements. These have been historically reported to Finance Investment Board every six months, in line with the request of this Board. It is proposed that this frequency is maintained for IC. This means that the next risk update seen by this Committee will only relate to CSD departmental risks.

### Recommendations

Members are asked to:

- Note this report, and the actions taken across the organisation to effectively monitor and manage risks in the City Surveyor's operations (Appendix B) and review the existing risks and actions on the IC Financial Investments risk register (Appendix C) and confirm that appropriate control measures are in place.
- Consider further risks and mitigations relating to the services overseen by the Investment Committee.

## **Main Report**

### **Background**

1. The City Surveyor's Department (CSD) and the Chamberlain's Corporate Treasury Team report to the Investment Committee (IC) those risks relevant to your Committee under your Terms of Reference.
2. The risks presented by the CSD are departmental and, in line with the Corporate Risk Management Policy and Strategy (2021), these will be presented to IC quarterly. Those relating to Corporate Treasury are functional risks and relate to the treasury function and the financial investments of City's Cash, so are not governed by the same requirements. These have been historically reported to Finance Investment Board every six months and this frequency will be maintained with the new IC.
3. This report includes an update from both CSD and the Chamberlain (Corporate Treasury Team).

### **Review of Risks**

4. The method of assessing risk reflects the City of London's standard approach to risk assessment and the risk matrix, which explains how risks are assessed and scored is attached at Appendix A. These scores are summarised into three broad groups, each with increasing risk, and categorised "green", "amber" and "red".
5. Risks are reviewed frequently in both departments, and where there are any material changes to the risks between reporting periods these will be reported through to IC on an exceptional basis.
6. Appendix B relates to risks owned by CSD, capturing items which could impact the performance of the investment property portfolio. Appendix C relates to risks owned by Corporate Treasury, helping identify and manage the strategic risks facing the City's non-property investments.
7. Each risk presented in the Risk Register is accompanied by one or more "action(s)" which reflect how the risk is managed and mitigated. A "due date" for required completion is set against each action. Due to the nature of the risk overseen by the Committee in many cases it is impossible to entirely eliminate a risk, and therefore corresponding actions will always remain live. These ongoing actions are necessary in order to maintain the current risk score. Where this is the case the Risk Register includes an annual update, which will be reviewed each year.

### **Current Position**

#### ***CSD Risk Register (Appendix B)***

8. The key highlights to note to the risk registers which were presented most recently to Committee (July) are as follows:
  - a. SUR SMT 005  
Construction Price inflation  
Current Risk Score 16 (Red)  
Whilst the rate of increase in construction costs has abated, it is still above historic norms. This is highlighted for Members of IC as 'in flight' projects continue to suffer from costs above those that were initially projected.

b. SUR SMT 006

Construction Consultancy Management

Current Risk Score 16 (Red)

This risk relates to abortive design and development work. The department is pursuing a number of mitigating activities to reduce the likelihood of this risk. We are engaging with procurement and legal to ensure that project objectives are met. This has included flexing the balance of cost and quality at the procurement stage, and through tightening the scope of works.

SUR SMT 009

Recruitment and Retention of Property Professionals

Current Risk Score 16 (Red)

Competition for property professionals remains strong, particularly in asset and project management – key areas for IC. The department is engaging closely with corporate colleagues where this item is also flagged as a Corporate Risk.






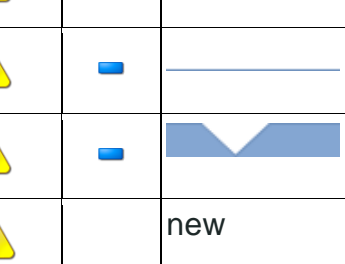





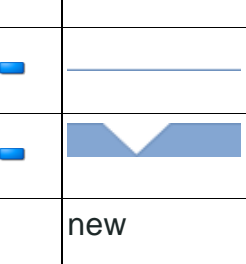





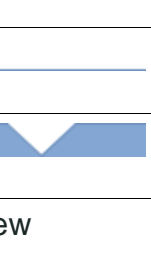

c. SUR SMT 012

Adjudication and Disputes

Current Risk Score 8 (Amber)

This risk has recently been highlighted and is included on the department's risk register for the first time. This risk is arising from inspection and specification work which, as it was undertaken over COVID-19, may have been done remotely, or with fewer site visits. This is leading to an increased level of issues at hand-over, and legal discussions.









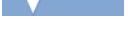












Table 1: Summary table of risks of City Surveyor's Departmental Risks relevant to Investment Committee

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
SUR SMT 005	Construction Price Inflation	16			
SUR SMT 006	Construction Consultancy Management	16			
SUR SMT 009	Recruitment and retention of property professional	16			
SUR SMT 003	Investment Strategy Risk	12			
SUR SMT 010	Insurance - Investment and Corporate Estates	12			
SUR SMT 011	Contractor Failure	12			
SUR SMT 012	Adjudication & Disputes	8			new

### **Chamberlain (Corporate Treasury) Financial Investments (Appendix C)**

9. The financial Investments Risk Register contains seven risks which are summarised in Table 2 below and are ranked by their current risk score.
10. Officers have reviewed the Risk Register to establish whether the risk environment has changed and whilst all scores have been maintained at their previous levels, each risk has been reviewed and updated where necessary in the Register itself. Updates to the Risk Register are underlined throughout.
11. As a result of the review, officers consider that the three risks at the top of Table 2, which are all “amber” are currently the most serious risks on this Risk Register and require active risk management by Members and Officers. All other risks continue to have a “green” risk score.

Table 2 : Summary table of risks for Corporate Treasury relevant to investment Committee

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
CHB FIB 01	Insufficient assets - City's Cash	12			
CHB FIB 04	Counterparty failure - Treasury Management	8			
CHB FIB 02	Targeted returns - City's Cash	6			
CHB FIB 03	Service provider failure	4			
CHB FIB 05	Cashflow Management	4			
CHB FIB 06	Governance	4			
CHB FIB 07	Failure to discharge responsible investment duties	4			

### **Conclusion**

12. Members are asked to note the recent changes to the risk registers, and the actions taken by the City Corporation to mitigate the likelihood and/or impact of the risks. Members are also asked to confirm that there are no other risks that should be added to the Risk Register.

## **Appendices**

- Appendix A City of London Risk Matrix
- Appendix B The City Surveyor's Departmental Risk Register relevant to this Committee
- Appendix C The Corporate Treasury Risk Register relevant to this Committee

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