

Committee(s)	Dated:
Resource Allocation Sub (Policy and Resources) Committee – For information	02 May 2024
Subject: The City Surveyor’s Corporate and Departmental Risk Register – April 2024 Update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	4, 7, 11, 12
Does this proposal require extra revenue and/or capital spending? N/A	N
If so, how much? N/A	N/A
What is the source of Funding? N/A	N/A
Has this Funding Source been agreed with the Chamberlain’s Department? N/A	N/A
Report of: The City Surveyor and Executive Director of Property (CS 055/24)	For Information
Report author: John Galvin / Faith Bowman City Surveyor’s Department	

Summary

This report has been produced to provide Members of the Resource Allocation Sub (Policy and Resources) Committee (RASC) with a quarterly update on the management of risks within the City Surveyor’s Department.

The City Surveyor’s Departmental Risk Register is reported to two Committees – your committee for operational property and Investment Committee for the investment property assets. The way that the risks map to the two Committees are included as Appendix A. Only risks relevant to this Committee are included within the detailed risk register (Appendix B). The full departmental risk register is available on request.

The City Surveyor is the lead Chief Officer for one corporate risk - Maintenance and renewal of Corporate Operational Assets (excluding housing assets), CR 37. This is currently rated as a red risk with a risk score of 16.

There are a further ten risks on its Departmental Risk Register relevant to this Committee. Four of these departmental risks are recorded as red. The red risks currently being managed are:

- SUR SMT 005 – Construction and Service Contracts Price Inflation
Current risk score 16 (Red)
- SUR SMT 006 – Construction Consultancy Management
Current risk score 16 (Red)
- SUR SMT 009 – Recruitment and retention of property professionals
Current risk score 16 (Red)
- SUR SMT 011 – Contractor failure
Current risk score 16 (Red)

Recommendation(s)

- Members are asked to note this report, and the actions taken within the City Surveyor's Department to effectively monitor and manage risks arising from our operations.

Main Report

Background

1. The City of London Corporation's Risk Management Policy and Strategy 2021 (RMP&S) requires each Chief Officer to report regularly to Committee the key risks faced in their department. The City Surveyor's Department (CSD) reports quarterly to both Investment Committee (IC) and Resource Allocation Sub (Policy and Resources) Committee (RASC).
2. Aligned with the new reporting arrangements we report to your Committee the risks which are relevant under the Committee's terms of reference. For clarity and transparency Appendix A provides a summary table of all departmental risks and the Committee to which they are reported. The full departmental risk register is available to Members upon request.
3. The risks relevant to this Committee are included as Appendix B to this report.
4. Risks are reviewed regularly by the department's Senior Management Team (SMT) in line with the organisation's RMP&S. Risks are assessed on a likelihood-impact basis, and the resultant score is associated with a traffic light colour.
5. Should any changes occur between formal meetings a process exists such that risks can be captured, assessed, and mitigating activities considered. This ensures that the risk management process remains 'live'.

Current Position

6. The key points to note for this period are captured below:

- a. CR 37

Maintenance and Renewal of Corporate Physical Operational Assets
(excluding housing assets)
Current Risk Score 16 (Red)

Court of Common Council approved the funding of £133.7m for the delivery of the Cyclical Works Programme (CWP) at their meeting in March 2024. This comprises £55.1m backlog requirements (known as the bow wave), £75.8m of forward plan works over the next three years, and c.£2.8m for staff resourcing. The works will be delivered over a five-year period. The delivery of these works will significantly mitigate this risk over the delivery timescale.

A paper on the CWP delivery strategy is being presented to Resource Allocation Sub Committee to ensure an efficient model for these much-needed works.

Members should note that CWP excludes 'ring fenced' property assets. These assets are where departmental occupiers allocate their own funds for the maintenance of built assets, including the Police estate, New Spitalfields and Billingsgate Markets and the three private schools.

- b. SUR SMT 005
Construction and Service Contracts Price inflation
Current Risk Score 16 (Red)

Whilst market movements have remained steady in recent months, price inflation remains above normal. Particularly in the Property Projects team, feedback is that inflation continues to construction impact inputs, particularly labour.

Existing contracts continue to feel the impact of costs more than those initially anticipated at project commencement.

Taking all factors into account the risk score has remained the same this quarter. And the department will continue to progress mitigations wherever possible.

- c. SUR SMT 009
Recruitment and Retention of Property Professionals
Current Risk Score 16 (Red)

The risk scoring on this item was reviewed again by the department's management team in February. They reflected that the risk continues to manifest, particularly in relation to the retention of quality, professionally skilled, staff; and in recruitment where applicants are often at a more junior level of experience as the reward package cannot attract more experienced applicants. There is significant continued competition for property professionals, particularly in project management and General Practice surveying/ asset management.

The department has been reflecting these pressures Corporately and is actively feeding into the wider organisational review of pay and reward. It should be highlighted that this item is also flagged as a Corporate Risk (CR 39 Recruitment and Retention).

- d. SUR SMT 011
Contractor failure
Current Risk Score 16 (Red)

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 has not

historically had significant influence over who is commissioned to undertake work.

Recent industry uncertainty has raised the risk likelihood, and this risk is now red (April 2024).

- e. SUR SMT 007
Energy Pricing
Current Risk Score 6 (Amber)

The department has recently seen a softening in pricing, and market intelligence suggest that commercial pricing will moderate to £80-£100/MwH. This is higher than that experienced before the Ukraine war, but a significant reduction to that seen over the preceding 24-months. Due to this industry feedback, the risk score on this item has reduced in likelihood.

- f. SUR SMT 015
UKPN – Condition and maintenance of power substations
Current risk score 6 (Amber)

This risk reflects either the failure of UK Power Networks (UKPN) to adequately evidence maintenance of their secure substations, or failure on behalf of the City Corporation to gain access with UKPN to these substations to perform landlord's repairing obligations. This risk has been tracked at the Group level within the department but has been recently escalated to the Departmental Risk Register following the substation fire at the Central Criminal Court. Whilst this incident is still under investigation there was a considerable impact on the Old Bailey's operation. Further, the Corporate Health and Safety team are reviewing all substations and issues with UKPN and access to these secure substations across the investment, operational and housing portfolios.

Conclusion

- Members are asked to note the recent changes to the departmental risk register, and the actions taken by CSD to mitigate the likelihood and/or impact of the risks, including the corporate risk regarding operational property maintenance and funding.
- The current funding allocation to the maintenance and upkeep of the City's operational property portfolio is an ongoing consideration for Members as part of its overall medium-term financial plan.

Appendices

- Appendix A Risks by Committee
- Appendix B The City Surveyor's Corporate and Departmental Risk Register relevant to this Committee

Background Papers

- The City Surveyor The City Surveyor's Departmental Risk Register – June 2023 Update (CS 183/23)
- The City Surveyor The City Surveyor's Departmental Risk Register – September 2023 Update (CS279/23)
- The City Surveyor The City Surveyor's Departmental Risk Register – November 2023 Update (CS 326/23)

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