

Committee(s)	Dated:
Resource Allocation Sub (Policy and Resources) Committee – For information	11 July 2024
Subject: The City Surveyor's Corporate and Departmental Risk Register – June 2024 Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
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 (CS159/24)	For Information
Report author: John Galvin / Faith Bowman / Anna Flashman 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 both RASC and Investment Committee, with each Committee receiving information aligned with their terms of reference. 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 as Head of Profession is the lead Chief Officer for one corporate risk - Maintenance and renewal of Corporate Operational Assets (excluding housing assets), CR 37. The recently approved funding for the Cyclical Works Programme (CWP) significantly mitigates this risk. CWP funding is applicable to operational property with the exclusion of ring-fenced and institutional assets where property requirements are funded through different mechanisms. The risk will be subject to further review through the Chief Officer Risk Management Group.

There are ten risks managed by the City Surveyor relevant to this Committee. In addition to CR37, there are a further four departmental risks 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)

The key mitigation for the risk relates to the provision of sufficient funding for ongoing building maintenance and renewal.

The Court of Common Council agreed a funding amount of £133.7m to be delivered over five years to support the backlog maintenance and next 3 years Cyclical Works Programme. This risk was reviewed in June by the department's management team who felt that as the funding has been awarded for non-ring-fenced and institutional operational property the key mitigation for building and maintenance has been achieved. As the remaining

items sit outside of the responsibility of the City Surveyor's Department with other Chief Officers it has engaged the Corporate Risk team to facilitate the comprehensive review of this risk in collaboration with these Chief Officers through the Chief Officers Risk Management Group to ensure that this risk is mitigated comprehensively across the City of London Corporation.

- 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 historic. Particularly in the Property Projects team, feedback is that inflation continues to construction impact inputs, particularly labour.

Tender prices continue to come in at a high level and the department is working with the Chamberlain's procurement team to attract a greater number of contractors to bid on projects. Following this review Two Stage contracts will be used more frequently which is the current market norm. The department will continue to progress mitigations wherever possible.

- c. SUR SMT 006
Construction Consultancy Management
Current Risk Score 16 (Red)

The issue of individuals that are assigned from the commercial to the public sector who often do not have the skills and competency required to deliver the work to the required standard is being seen across the construction industry.

The department is working closely with the Procurement team, legal department and Construction Category Board to manage and mitigate this risk. The department continues to take action against consultants when their performance does not meet quality requirements which has resulted in increased end-to-end timescales.

The department has commenced going to market at RIBA stage 3 rather than RIBA stage 4 which is designed to prevent abortive design and development. The impact of this change will be tracked over the coming months.

- d. 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 June. There is significant continued competition for the recruitment of experienced property professionals, particularly in Surveying and Project Management.

The department has communicated these pressures corporately and is actively feeding into the wider organisational pay and reward review (Ambition 25) to help mitigate this risk. It should be highlighted that this item has also been identified as a Corporate Risk (CR 39 Recruitment and Retention).

- e. 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.

Should a main contractor, or sub-contractor, fail, there are knock on implications for warranties, or our capacity to seek redress for any design faults.

The department is now undertaking six-monthly reviews of contractor suitability. Traditionally this only occurs at contract commencement. It is anticipated that this will better prepare the organisation should the contractor experience any difficulties.

- f. SUR SMT 007
Energy Pricing
Current Risk Score 4 (Green)

Since the last reporting period the risk rating was reduced from 6 (amber) to 4 (green) as market rates continue to fall and our Power Purchase Agreement (PPA) solar farm will provide long term price certainty. The PPA will supply over 50% of our corporate requirement with below market rate prices. Therefore, this risk has been de-escalated from the departmental risk register and will now be monitored at Operations Group level.

Corporate & Strategic Implications

Strategic implications

7. Organisationally strategic risks are managed on the City Corporation's Corporate Risk Register. Currently the City Surveyor has one risk on this register, CR 37 - Maintenance and Renewal of Corporate Physical Operational Assets (excluding housing assets).

Financial implications

8. Should a risk manifest there may be financial impacts. The assessment of risk includes consideration of potential financial implications, and this is reflected within the risk scoring.

Resource implications

9. The progression of mitigating activities often requires the provision of adequate resources. Where relevant this has been highlighted within the risk actions.

Legal implications

10. Legal and contractual implications are highlighted where relevant within the department's Risk Register.

Risk implications

11. Key risks managed by the department are included in this Risk Update Report.

Equalities implications

12. The department's risk register highlights the importance of equalities, diversity, and inclusion, particularly through mitigations associated with SUR SMT 009, Recruitment and Retention of Property Professionals.

Climate Implications

13. The department supports the delivery of the Climate Action Strategy through the delivery of minor and major projects. This capacity has been enhanced by the agreement of funding for the Cyclical Works Programme, which includes £18m in carbon reduction works.

Security implications

14. None

Conclusion

15. 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 non housing operational property maintenance and funding.
16. 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.
17. The high-level risk position within the department is broadly aligned with earlier reporting periods. The notable exception to this is the continued reduction in risk scoring in relation to Energy Pricing, and this risk has now been de-escalated from the departmental risk register.

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)
- The City Surveyor The City Surveyor's Departmental Risk Register – May 2024 Update (CS 055/24)

Departmental Performance & Services
City Surveyor's Department

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