

Committee(s)	Dated:
Investment Committee – For decision	25th July 2024
Subject: Risk Register Update for Investment Committee	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	No
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 (CS 170/24)	For Decision
Report author: Sarah Port and Kate Limna – Chamberlain’s Department Anna Flashman 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 relevant to this this Committee.

This report includes an update on three risk registers:

- Overarching Risk Register – This captures risks relating to the overall investment portfolio e.g. allocation between asset classes; risks common to both portfolios e.g. governance risk; and arrangements over liquidity which sit above the portfolios. This register is included as Appendix A.
- City Surveyor’s Departmental Risk Register – The City Surveyor’s Department (CSD) maintains a comprehensive risk register of matters pertaining to the department’s operation and objectives. Where these risks are relevant to this Committee, these have been included in Appendix B.
- Corporate Treasury Risk Register – captures risks relating to the treasury function and the City’s Estate financial investments (Appendix C).

Members requested at the May Committee (CS 079/24) that a single report will be generated on a period basis. The organisation’s Risk Management Policy and Strategy (2021) defines this period as quarterly.

Due to the short period between the most recent Committee and this one, only minor changes have been made to the registers, with the key updates outlined in the summary report below. Internal resource constraints have prevented significant evolution of the Overarching Risk Register. Further work on developing this new register will be undertaken over the summer before your October Committee.

Recommendation(s)

Members are asked to:

- Consider the overarching risks and mitigations relating to the overall investment portfolio overseen by the Investment Committee (Appendix A).
- Note 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.

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. Further, an overarching register has been in development capturing high-level risks to the investment portfolio.
2. Following discussions at the May IC it was agreed that a single report would be presented to Members on a periodic basis. CSD must report its risks on a quarterly basis in line with the Corporate Risk Management Policy and Strategy, 2021 (RMP&S), and therefore the other registers must be presented in line with this frequency.
3. Previously risks relating to Corporate Treasury were only reported to Committee on a six-monthly basis.
4. Risks to the overall investment portfolio such as allocation between asset classes, risks common to both portfolios, governance risks, and arrangements over liquidity which sit above the portfolios, are captured within the Overarching Risk Register. This is the second time that this register has been presented to Committee and this register can be considered to still be in development.

Review of Risks

5. The method of assessing risk reflects the City of London's standard approach as defined in the RMP&S. The risk matrix, which explains how risks are assessed and scored is attached at Appendix D. These scores are summarised into three broad groups, each with increasing risk, and categorised "green", "amber" and "red".
6. There has been limited capacity since the prior report in May to develop the Overarching Risk Register (Appendix A). This will be further reviewed over summer with a more comprehensive update provided to your October Committee.
7. 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.
8. 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









Overarching Portfolio Risk register (Appendix A)

9. As reported to your May Committee, a new Overarching Risk Register for the investment portfolio has been developed. This includes:

- Investment performance strategy,
- External economic factors,
- Overarching risk in relation to sustainability and impact – which is broken down in a more nuanced way in each of the property and financial investment risk registers,
- Cash flow management risk – formerly sitting in the financial investment risk register,
- Governance risk – formerly sitting in the financial investment portfolio.

10. The risk register is still a work in progress and development has been constrained by resource availability. Mitigating actions will be developed and presented to Members at your October Committee.

Table 1: Summary table of risks for overall investment portfolio relevant to Investment Committee

Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
IC 01	Investment Performance Strategy Risk	6			N/A
IC 02	External Economic Risk	12			N/A
IC 03	Governance	4			
IC 04	Cashflow Management	8			
IC 05	Sustainability and Impact	4			N/A

CSD Risk Register (Appendix B)

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

- a. 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.

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

This risk relates to abortive design and development work. The department continues to pursue several mitigating activities to reduce the likelihood of this risk. Which also includes the current lack of skill set in the construction industry.

- 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 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 is also been identified as a Corporate Risk (CR 39 Recruitment and Retention).

- d. SUR SMT 016
Investment Property Group Staffing and Capacity
Current Risk Score 16 (Red)

This is a new risk on the Surveyor's Departmental Risk Register which reflects the new skill sets and additional capacity required within the Investment Property Group. This is in response to changing corporate investment targets, organisational requirements, and access to market. The department has identified several actions to reduce the likelihood and impact of this risk.

This risk is linked to the departments Recruitment & Retention risk (SUR SMT 009) and Investment Strategy Risk (SUR SMT 003).







- 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.
















12. The below table provides a summary of CSD risks relevant to this 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 016	Investment Property Group Staffing and Capacity	16		New Risk	New Risk
SUR SMT 011	Contractor Failure	16			
SUR SMT 010	Insurance - Investment and Corporate Estates	12			
SUR SMT 003	Investment Strategy Risk	12			
SUR SMT 012	Adjudication & Disputes	8			

Chamberlain (Corporate Treasury) Financial Investments (Appendix C)

13. The financial Investments Risk Register contains five risks which are summarised in Table 3 below and are ranked by their current risk score.
14. Officers have reviewed the Risk Register to establish whether the risk environment has changed, and both risks have been reviewed and updated where necessary. Updates to the Risk Register are underlined throughout. Table 3 below provides a summary of the risks.

Table 1: 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 Estate	12			
CHB FIB 02	Targeted returns - City's Estate	6			
CHB FIB 03	Service provider failure	4			
CHB FIB 07	Failure to discharge responsible investment duties	4			
CHB FIB 04	Counterparty failure - Treasury Management	2			

Corporate & Strategic Implications

Strategic implications

15. Organisationally strategic risks are managed on the City Corporation's Corporate Risk Register. The Overarching Risk Register will seek to capture overall uncertainty to the investment portfolio, which may have strategic implications.

Financial implications

16. 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

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

Legal implications

18. Legal and contract implications are highlighted where relevant within the relevant Risk Register.

Risk implications

19. Key risks are included in this report.

Equalities implications

20. Where relevant this is highlighted within the Risk Registers.

Climate implications

21. Sustainability and Impact is the focus of one of the key risks on the Overarching Risk Register.

Security implications

22. None

Conclusion

23. Members are asked to note the recent changes to the risk registers. Both the Chamberlain's Department, and CS, are working hard to ensure that risks are identified, assessed, and mitigating actions are progressed.

Appendices

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

Background Papers

- The City Surveyor The City Surveyor's Departmental Risk Register – September 2023 Update (CS 265/23)
- The City Surveyor The City Surveyor's Departmental Risk Register – November 2023 Update (CS 340/23)
- The City Surveyor The City Surveyor's Departmental Risk Register – May 2024 Update (CS 079/24)

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