

<b>Committee(s)</b>	<b>Dated:</b>
Investment Committee – For decision	3 October 2024
<b>Subject:</b> Risk Register Update 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>Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth</b>
<b>Does this proposal require extra revenue and/or capital spending? N/A</b>	<b>No</b>
<b>If so, how much? N/A</b>	<b>N/A</b>
<b>What is the source of Funding? N/A</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department? N/A</b>	<b>N/A</b>
<b>Report of: The Chamberlain and The City Surveyor (CS 248/24)</b>	<b>For Decision</b>
<b>Report author:</b> Kate Limna, Sarah Port and Jenny Wong – Chamberlain’s Department John Galvin, 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 periodic basis. The Corporation’s Risk Management Strategy 2024 - 29 (RMS) defines this period as quarterly.

### **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 Corporation’s Risk Management Strategy, 2024 - 2029 (RMS), 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.

### **Review of Risks**

5. The method of assessing risk reflects the City of London’s standard approach as defined in the RMS. 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. 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**

#### ***Overarching Portfolio Risk register (Appendix A)***

8. As reported to your May Committee, the Overarching Risk Register for the investment portfolio has been developed further and mitigating actions included for:
  - 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.

**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			
IC 02	External Economic Risk	12			
IC 03	Governance	4			
IC 04	Cashflow Management	8			
IC 05	Sustainability and Impact	4			

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

9. 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)

Although market fluctuations have been stable in recent months, price inflation persists at elevated levels compared to historical norms. The Property Projects Group have reported that inflation continues to affect construction inputs, especially labour costs.

Tender prices remain high, prompting the department to collaborate with the Chamberlain’s procurement team to encourage a larger pool of contractors to participate in bidding for projects. As a result of this assessment, the use of Two Stage contracts will be increased, aligning with current market practices. The department will persist in implementing mitigations wherever feasible.

b. SUR SMT 006

Construction Consultancy Management  
Current Risk Score 16 (Red)

The skills and competencies of construction consultants within the public sector often do not align with those available in the commercial sector.

To address this risk, the department is collaborating closely with the Procurement team, legal department, and Construction Category Board. The department is also taking measures against consultants whose performance fails to meet quality standards, leading to longer end-to-end timelines.

Additionally, the department has begun engaging with the market at RIBA stage 3 instead of RIBA stage 4 to help avoid unnecessary design and development efforts. The effects of this adjustment will be monitored in the upcoming months.

- 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 August. There remains considerable competition for attracting skilled property professionals, especially in the fields of Surveying and Project Management.

The department has conveyed these challenges at a corporate level and is contributing to the broader organisational pay and reward review (Ambition 25) to address this risk. It is important to note that this issue has also been recognised 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 risk pertains to the necessity for new skill sets and increased capacity within the Investment Property Group, driven by evolving corporate investment objectives, organisational needs, and market accessibility. The department has outlined various measures to mitigate both the probability and consequences of this risk in the Real Estate Investment Strategy approved at Investment Committee in July 2024 and Corporate Services Committee in September 2024.

This risk is associated with 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 pertains to the potential failure of a primary contractor or a principal sub-contractor.

The City Corporation has historically had limited control over the selection of those commissioned for work, particularly regarding the latter. In the event of a failure by either a main contractor or sub-contractor, there could be subsequent effects on warranties and the ability to pursue remedies for design defects.















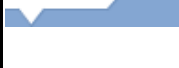





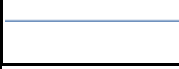



To address this, the department is now conducting biannual assessments of contractor suitability, a practice that previously took place only at the start of a contract. This change is expected to prepare the City of London Corporation if a contractor encounters challenges.

- f. SUR SMT 010  
Insurance - Investment and Corporate Estates  
Current Risk Score 8 (Amber)

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.

A number of mitigating activities have taken place this quarter including application of funding and resource, tendering of the City Fund Properties and the near completion of the City Bridge Foundation which have reduced the likelihood of this risk. Although the risk scoring has been reduced from 12 (major/possible) to 8 (major/unlikely) its risk status remains at Amber.









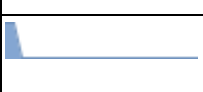






**10. Table 2: Summary of CSD risks relevant to this Committee**

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			
SUR SMT 011	Contractor Failure	16			
SUR SMT 003	Investment Strategy Risk	12			
SUR SMT 012	Adjudication & Disputes	8			
SUR SMT 010	Insurance - Investment and Corporate Estates	8			

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

11. The financial Investments Risk Register contains five risks which are summarised in Table 3 and are ranked by their current risk score.
12. 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 provides a summary of the risks.

**Table 3: 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 IC 01	Insufficient assets - City's Estate	12			
CHB IC 02	Targeted returns - City's Estate	6			
CHB IC 03	Service provider failure	4			
CHB IC 07	Failure to discharge responsible investment duties	4			
CHB IC 04	Counterparty failure - Treasury Management	2			

## Corporate & Strategic Implications

### Strategic implications

13. 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

14. 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

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

### Legal implications

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

### Risk implications

17. Key risks are included in this report.

### Equalities implications

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

### Climate implications

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

### Security implications

20. None

## Conclusion

21. Members are asked to note the recent updates to the risk registers and the measures implemented by both the Chamberlain's Department, and City Surveyor's Department to reduce the probability and/or consequences of identified risks.
22. The risk position within City Surveyor's Department is consistent with earlier reporting periods. With the exception of the reduction of the risk scoring of SUR SMT 010 Insurance - Investment and Corporate Estates, however, its risk status remains at amber.

## 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 – July 2024 Update (CS 170/24)

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