

City of London Corporation Committee Report

Committee(s): Finance Committee – For information	Dated: 18 February 2025
Subject: Chamberlain’s Departmental Risk Management Update	Public report: For Information
This proposal: <ul style="list-style-type: none"> • delivers Corporate Plan 2024-29 outcomes • provides statutory duties 	Providing Excellent Services Flourishing Public Spaces
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£0
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain’s Department?	n/a
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Summary

This report has been prepared to inform the Finance Committee about the risks faced by the Chamberlain’s department, with an emphasis on both Financial Corporate and Departmental risks. Presently, there is one RED risk listed on the Corporate Risk Register under the Chamberlain’s responsibility, as well as one RED risk on the Chamberlain’s Departmental Risk Register. The corporate risk CR38 Unsustainable Medium-Term Finances – City’s Estate has reduced from RED to AMBER whilst the corporate risk CR35 Unsustainable Medium-Term Finances – City Fund has increased from AMBER to RED. The Chamberlain’s Senior Leadership Team, along with divisional management teams, regularly review and update the risk register to identify potential risks and opportunities.

Recommendation(s)

Members are asked to:

- Note the report

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to the Committee the key risks faced in their department. The Finance Committee has determined that it will receive the Chamberlain's Risk Register at each meeting.
2. The Digital Information Technology Service (DITS) as a part of the Chamberlain's Department risks are reported to the Digital Services Committee for oversight.
3. The Commercial, Change and Portfolio Delivery (CCPD) as a part of the Chamberlain's Department risks are reported to the Projects and Procurement Sub-Committee for oversight.

Current Position

Corporate Risk – RED

4. The Chamberlain's department currently has one financial RED Corporate Risk, all risks are regularly reviewed and several mitigating measures are in place to prevent the realisation of these risks or future risks.
5. **CR38 Unsustainable Medium-Term Finances – City's Estate (current score is AMBER 12)**, which has been reduced in February 2025 from RED 16. This reduction is due to a decreased likelihood of the risk materialising. The 2025/26 budget and 5 and 20 year financial models have been updated. City's Estate's position has improved this year because the Markets Co-location Programme was halted. Although there will still significant costs over the medium term, they are expected to be covered by capital receipts. This decision reduces the need for large asset sales to fund the capital programme. However, City's Estate still relies on the growth of its investment assets to cover the annual deficit. In recent years, asset values haven't kept up with the deficit due to external events, so future projects and capacity need close attention. Successfully implementing the new investment strategy in diversifying its investment assets, which according to longer term modelling, suggests recovery and a transition into surplus in 15 years. for future sustainability. In the meantime, there's a need to focus on income generation proposals and possibly a new savings programme. The in place mitigations will remain to continue to further reduce the risk.
6. The risk score for CR35 **Unsustainable Medium-Term Finances – City Fund (current score RED 16)** which is an increase in February 2025 from AMBER 12. There has been an increase in the likelihood of this risk due to the currently forecast deficit year being one year closer, causing the increase to RED. This is due to a number of factors, namely the planned Government's reset of Business Rates income retention in 2026/27 which could reduce the annual City Fund income by £27m. While the City Fund is expected to balance its budget in 2025/26, forecasting the reset in 2026/27 shifts the position to a deficit, that would need to be managed with reserves. This approach is not sustainable and needs immediate

attention. Financial modelling suggests that the deficit could be delayed until 2027/28 with potential transitional relief. Therefore, a key mitigating action is to develop savings plans over the next two years, to be implemented from 2027/28, with further savings by 2028/29, to address the anticipated loss of business rate income growth.

Departmental Risks – RED

7. **CHB002 Housing Revenue Account (HRA) Finances** has a risk score of RED 16. The HRA and Capital Budgets for 2025/26 were approved by the Community and Children’s Services Committee in January. The latest 5-year projection indicates a position that is vulnerable to revenue overspends. The risk score remains unchanged, with finance business partners collaborating closely with departmental colleagues to manage the risk of overspends.

Conclusion

8. Members are asked to note the actions taken by Chamberlain’s Department to manage all risks. Actions aim to continue monitoring and reducing the risk level, which will be reported on at future finance committees.

Appendices

- Appendix 1 – Departmental Risk Register

Background Papers

Chamberlain’s Departmental Risk Management Update Reports

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