

City of London Corporation Committee Report

Committee: Investment Committee – For decision	Dated: 27 May 2025
Subject: Risk Register Update for Investment Committee	Public report: For decision
This proposal: <ul style="list-style-type: none"> delivers Corporate Plan 2024-29 outcomes 	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of:	The City Surveyor / The Chamberlain (CS 093/25)
Report author:	Sarah Port and Jenny Wong – Chamberlain's Department John Galvin, Faith Bowman – City Surveyor's Department

Summary

This report is produced quarterly to provide Members of Investment Committee (IC) with an update on the management of risks relevant to 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).

Since the risk registers were last reviewed at the December meeting, the risk rating for **IC 05 Sustainability and Impact** has been increased to a 6 (Amber) from a 4 (Green). This has increased the likelihood of the risk but keeps the impact low as the City of London Corporation has a commitment to deliver its Climate Action Strategy but existing interim targets to achieve net zero by 2040 are currently under review. **SUR SMT 006 Construction Consultancy Management** has been reviewed following Member comments, but the risk rating has not changed at this stage and will remain under observation.

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 2024 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. Previously risks relating to Corporate Treasury were only reported to Committee on a six-monthly basis.
3. 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






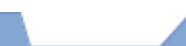





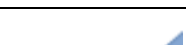


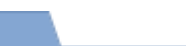
4. The method of assessing risk reflects the City of London's standard approach as defined in the RMS. The risk matrix, which explains how risks are assessed and scored is attached at Appendix D. These scores are summarised into three broad groups, each with increasing risk, and categorised "green", "amber" and "red".
5. 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.
6. 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 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. 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.
9. The Overarching Risk Register contains five risks which are summarised in Table 1 below and are ranked by their current risk score.
10. Officers have reviewed the Risk Register to establish whether the risk environment has changed, and risks have been reviewed and updated where necessary. Updates to the Risk Register are underlined throughout. Table 1 below provides a summary of the risks.
11. Following officer review, the risk rating for **IC 05 Sustainability and Impact** has been increased to a 6 (Amber) from a 4 (Green). This has increased the likelihood of the risk but keeps the impact low as the City of London Corporation has a commitment to deliver its Climate Action Strategy but existing interim targets to achieve net zero by 2040 are currently under review.

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 02	External Economic Risk	12			
IC 04	Cashflow Management	8			
IC 01	Investment Performance Strategy Risk	6			
IC 05	Sustainability and Impact	6			
IC 03	Governance	4			

CSD Risk Register (Appendix B)

12. 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 the previously high rates of material price inflation have decreased, the City has not experienced a notable stabilization in tender returns. Consequently, this risk is still classified as a Red risk. The Department is actively working with the Chamberlain's procurement team to broaden the pool of contractors eligible to bid on projects and to implement Two Stage contracts that reflect current market trends. Ongoing reviews of this risk will be conducted, and the Department will seek to implement mitigation strategies whenever feasible.

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

The qualifications and expertise of construction consultants in the public sector often contrast with those in the commercial sector. To address this disparity, the department is collaborating closely with the Procurement team, the legal department, and the Construction Category Board to ensure thorough due diligence throughout the procurement process. Additionally, the department is taking measures against consultants whose performance fails to meet established quality standards, which may occasionally lead to prolonged project timelines. To enhance efficiency, the department is now engaging with the market at RIBA stage 3 instead of RIBA stage 4, aiming to avoid unnecessary design and development efforts.

The impact of this change has not yet been fully assessed and will remain under observation.

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

In April, the management team of the department reassessed the risk scoring for this item, reaffirming the significant competition in attracting qualified property professionals, particularly in Surveying and Project Management.

The department has communicated these challenges at the corporate level and is playing an active role in the wider organisational pay and reward review, known as Ambition 25, to mitigate this risk. Additionally, it is essential to highlight that this matter has been identified as a Corporate Risk (CR 39 Recruitment and Retention).

d. 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 of London 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.

Recent industry fluctuations have heightened the probability of this risk; therefore, its risk status continues to be classified as Red.

Should a main contractor or a sub-contractor fail, it may adversely impact warranties and the pursuit of remedies for design flaws.

In response to this issue, the department has implemented biannual evaluations of contractor suitability, a process that was formerly conducted only at the inception of a contract. This adjustment is anticipated to better equip the City of London Corporation in the event that a contractor faces difficulties.

Recent volatility in the industry has increased the likelihood of such risks, leading to its continued classification as Red.










e. SUR SMT 016
















Investment Property Group Staffing and Capacity
Current Risk Score 12 (Amber)

This risk relates 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.

Recruitment initiatives are currently in progress. As highlighted in the Recruitment & Retention risk (SUR SMT 009), discrepancies between the total reward package provided by the City of London and those offered by our commercial counterparts may pose difficulties. This situation will be monitored throughout the recruitment process. Attracting and retaining qualified individuals is essential for the efficient management of the portfolio and for adapting to the evolving demands of the market and the City Corporation.

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 and Service Contracts Price Inflation	16			
SUR SMT 006	Construction Consultancy Management	16			
SUR SMT 009	Recruitment and Retention of Property Professionals	16			
















Risk code	Risk title	Current Risk Score	Current Risk Score Indicator	Trend Icon	Flight path
SUR SMT 011	Contractor Failure	16			
SUR SMT 016	Investment Property Group Staffing and Capacity	12			
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)

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 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

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 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.
24. One risk managed by the City Surveyor's Department (SUR16 Investment Property Group Staffing and Capacity) has decreased in risk scoring since the last report (October) whilst the remaining risks were consistent with earlier periods.

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 and the Chamberlain Risk Register Update for Investment Committee – 25 July 2024 (CS 170/24)
- The City Surveyor and the Chamberlain Risk Register Update for Investment Committee – 3 October 2024 (CS 284/24)
- The City Surveyor and the Chamberlain Risk Register Update for Investment Committee – 02 December 2024 (CS 295/24)

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