

Committee(s): Property Investment Board – For Information Corporate Asset Sub (Finance) – For Information	Date(s): 18 March 2020 01 April 2020
Subject: City Surveyor’s Business Plan 2019-24 Quarter 3 2019/20	Public
Report of: The City Surveyor (CS058/20)	For Information
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Summary

This report provides details of progress in quarter 3 (October – December) 2019/20 against the 2019-24 Business Plan, an update on the commercial property market, and a financial statement.

Of the seventeen Key Performance Indicators (KPIs) that are being monitored, thirteen were assessed as green (on target). Four further indicators will be assessed at the end of the financial year in the fourth quarter.

Recommendation

Members are asked to note the content of this report.

Main Report

Background

1. In line with the City Corporation’s performance management system, this is a quarterly report on the progress made during quarter 3 compared to the 2019-24 Business Plan.

Current Position

2. This report provides the latest budget information which is set out in Appendix A and performance indicator table in Appendix B. Furthermore, charts that your committee are particularly interested in are included in Appendix C.
3. Further reports are presented to Property Investment Board (PIB) and Corporate Asset Sub (Finance) Committee (CAsC) covering Rent Reviews, Lease Renewals, Arrears, Vacancies and Delegated Decisions. These provide key indications of the current market situation..
4. A separate monitoring report on the risks within our department is also presented at this meeting.

Market Commentary

5. The central London office investment market has rebounded following the General Election. According to CBRE £2.55bn was transacted in December 2019 alone, bringing the total for 2019 to £11.3bn. This was 36% down on the previous calendar year and the lowest annual level since 2011. A total of 16 deals over £100m completed over the final quarter of the calendar year, more than in the previous three quarters combined. The largest transaction was the £1.1bn sale of 25 Canada Square in Canary Wharf.
6. Colliers reported that central London take up in 2019 exceeded the 10-year average for a third year in succession. Pre-letting surpassed 3 million sq ft which is more than double the 10-year average. Pre-lets accounted for circa 25% of demand in 2019 which is a 10-year high. The vacancy rate was 4.8% which is below the 5.1% recorded at the end of 2018.
7. Prime City yield remains at 4.25%, which compares with the West End prime yield of 3.75%. Savills state prime rents in the City are £65psf - £75psf, the West End £105psf- £115psf, City Fringe £60psf - £70psf and Docklands £45psf - £50psf.

Financial Statement

8. The 2019/20 quarter 3 figures reveal that, against a latest budget of £34m, the City Surveyor is forecasting an overspend on local risk of £269,000 (0.8%) at year-end. This forecast includes £301,000 of the overspend from 2018/19 brought forward to be found by the City Surveyor in 2019/20.
9. There are four principal areas of overspend at year end:
 - A shortfall on fee income from property deals due to fewer such deals this year
 - The City Surveyor's 2018/19 overspend being carried forward
 - An overspend on repairs and maintenance on City Cash due to continually high levels of reactive repairs
 - Additional security costs, principally at Mansion House.

The above costs are in part offset by lower than anticipated reactive spend on City Fund operational properties where spend has been limited to urgent or high-risk items.

10. The forecast overspend at quarter 3 represents a significant improvement on the forecast at quarter 2, which anticipated a year-end overspend of £795,000. The City Surveyor is continually reviewing how this overspend can be recovered in 2019/20 and steps have been put in place to bring the budget back into balance by year-end. These include freezing recruitment of some vacant posts and adopting measures to confine reactive repairs to urgent or high-risk items.
11. On a more positive note, rental income, which is budgeted under central risk, is forecast to be £7.3m higher than the Original Budget for 2019/20. This extra income is principally on Bridge House Estates.

Overall Progress

12. A RAG status is used to summarise the progress of the performance indicators on a quarterly basis. The table below provides an 'at a glance' status report for the City Surveyor KPIs at the end of quarter 3.

Status ¹	Green	Amber	Red	TBC	N/A
Corporate Asset Sub Committee	10	0	0	0	3
Property Investment Board	9	0	0	0	4
Overall ²	13	0	0	0	4

13. Of the seventeen KPIs being monitored, thirteen were assessed as being on target (green). Four further measures will be reported against in quarter 4.

Conclusion

14. This report provides an update at quarter 3 against the department's Business Plan KPIs. Performance for the period is positive and reflects the significant work undertaken by the department.

Appendices

- Appendix A – Budget Monitoring Statement
- Appendix B – Key Performance Indicator Table
- Appendix C – Headline Performance Charts

Background Papers

The City Surveyor – Business Plan Progress Report Quarter 1 (CS 368/18)

The City Surveyor – Business Plan Progress Report Quarter 2 (CS 496/19)

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¹ Red = High Risk of Failure or Not Achieved; Amber = Some Concern; Green = On Target or Achieved.

² Some KPIs relate to both PIB and CASC. Therefore, row indicating KPIs overall is not a total of the PIB and CASC rows.