

Committee(s)	Dated:
Property Investment Board Corporate Asset Sub (Finance) Committee	16 July 2021 19 July 2021
Subject: Business Plan 2020-25 Quarter 4 2020/21	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	4, 7, 12
Does this proposal require extra revenue and/or capital spending? N/A	N
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 205/21)	For Information
Report author: John Galvin / Faith Bowman Business Performance and Improvement	

Summary

This report provides Members of Property Investment Board (PIB) and Corporate Asset Sub (Finance) Committee (CAsC) details of progress in quarter 4 (January to March) 2020/21 against the 2020-25 Business Plan as well as an update on the commercial property market and a financial statement.

At the time the Business Plan 2020-25 was approved by committees (PIB in December 2019 and CAsC in January 2020), it was envisaged to monitor all the seventeen Key Performance Indicators (KPIs) using the Red Amber Green (RAG) assessments. As reported in the quarter 3 update, the Covid-19 pandemic has shifted the department's priorities. There has been greater focus on tenant retention, maintaining key sites, and the delivery of essential services. Consequently, whilst we are reporting all our measures, we are not associating a RAG judgement against four KPIs.

Despite the headwinds generated by the Covid-19 pandemic, the department has continued to perform well. The last 12 months have been extremely challenging, and the continued delivery of our core services – the safe operation of our sites, the management of our assets, the delivery of key projects, the management of our investment estate, support to at risk commercial tenants during lockdown and the promotion of the City - is a testament to the commitment and drive of our staff whilst in a global pandemic.

Of the seventeen KPIs that are being monitored, nine were assessed as green (on target), three indicators failed to meet their targets, four measures did not have a RAG assessment due to the Coronavirus pandemic. One final measure (MSCI outperformance) will be reported in July but was not available at the time of writing this report.

The three indicators that did not meet their target were each significantly impacted by external factors:

- KPI. 1 – Asset realisation and additional income (CAsC)
- KPI. 5 – Adherence to Budgetary Spend Profiles (CAsC and PIB)
- KPI. 6 – Capital Projects – defects on completion (CASC and PIB)

Recommendation(s)

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 4 (January – March) compared to the 2020-25 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. Commentary on the investment market has been included in Appendix D.
3. In addition, you receive regular monitoring reports covering rent reviews, lease renewals, arrears, vacancies and delegated decisions. These provide key indications of the current market situation, particularly for directly managed properties.
4. A separate monitoring report on the risks within our department is also presented at this meeting. This includes a specific appendix on risks relating to Covid-19.

Financial statement

5. Appendix A reveals that at the end of 2020/21, the City Surveyor was £46,000 underspent against his local risk budget of £31.7m (0.1%).
6. Significant savings were delivered on the Guildhall Complex, largely driven by its part-closure and low occupancy throughout the year. This was partially offset by additional new expenditure to make the site Covid-19 compliant for the return to the office. The overall underspend was also offset by reduced professional fee income from property deals; and the need to recoup the 2019/20 overspend. The planned Fundamental Review saving, relating to a facilities management reorganisation, was not achieved as it was put on hold by Establishment Committee pending the Target Operating Model review.
7. The City Surveyor has largely incorporated the 12% savings target in his original budget for 2021/22, meaning there is little scope to absorb any unforeseen expenditure in 2021/22. Consequently, budgets will be closely monitored to ensure net expenditure comes in on target.

Quarter 4 2020/21 update

Coronavirus

8. Ordinarily the department would report a RAG status against all its seventeen KPIs. This is based upon outturn against target, or expected, performance. The Covid-19 pandemic has altered our capacity to target set many of our measures, particularly in relation to the investment estate. The current level of uncertainty is such that it is not possible to accurately predict what 'good' performance looks like.

9. Many KPIs were impacted by Covid-19 as detailed below.

KPI. 1 – Asset realisation and additional income

KPI. 3 – Space utilisation

KPI. 5 – Adherence to budgetary spend profiles

KPI. 6 – Capital Projects delivery – defects on completion

KPI. 11 – Rental forecasts

KPI. 12 – Minimise arrears

KPI. 13 – Minimise voids

KPI. 16 – Delivery of strategic utility infrastructure

KPI. 17 – Supporting the retention of inward investment of business

10. The department has been tracking an additional performance measure whilst the coronavirus situation continues. This indicator relates to the productivity of our project sites, and compares this to national average, taking into consideration compliance with site operating procedures for Covid-19.

Results for the quarter were: Jan – 82%, Feb – 83% and March – 93%. The national average for the period 80%.

11. Members will note the inclusion of the thematic Covid-19 risk register as part of your regular Risk Report (CS 215/21). This includes specific risks relating to the impact on our investment property returns and site productivity.

Performance

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's KPIs at the end of quarter 4.

Status ¹	Green	Amber	Red	No RAG	TBC
Corporate Asset Sub Committee	9		3	1	
Property Investment Board	6		2	3	1

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

Overall ²	9		3	4	1
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13. Of the seventeen KPIs being monitored, three KPIs were behind their respective targets at year end.

A. KPI. 1 – Asset realisation and additional income (CAsC)

Target £3.1m, achieved £1.7m

The objective of this measure is to achieve receipts (capital and projected income) for property assets identified as surplus to requirements.

As reported in the quarter 3 update, Covid-19 has had a significant impact on generating additional income from tenant lease events and new lettings. This has resulted in the original target not being met. For most cases, existing lease events and new lettings are expected to be rolled over and progressed in 2021/22, either as stand-alone events or as part of repayment plans to be agreed with tenants (for example lease expiries).

B. KPI. 5 – Adherence to budgetary spend profiles (CAsC and PIB)

Achieving the agreed tolerance of 95% - 105% of revised budget, achieved 93.4%.

This target was only slightly behind target for the year. Due to the economic impact of Covid-19 and subsequent reduced income revenue generation, the City Surveyor was tasked by the Chamberlain to review current programmes of work. This was to level the expenditure in the Cyclical Works Programme, smoothing some of the spend into a 'fourth' year to reduce the impact of committed expenditure within the next two years. This is reflected in the slightly reduced outturn for 2020/21.

C. KPI. 6 – Capital Projects delivery – defects on completion

Target of under 20%, achieved 52%

Objective of this indicator is to measure the response time for contractors addressing the defects from the point of the defects are reported

As a result of revised Site Operating Guidelines (including social distancing requirements), the scarcity of labour, and unavailability of materials, the pace of resolving project defects has slowed.

Strategic implications

14. The work of the department supports the delivery of the organisation's Corporate Plan. The impact of Covid-19 has been keenly felt in our ability to generate income on behalf of the organisation. The department will continue to work hard to minimise the negative impacts of this issue.

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

Data Quality Assurance

15. The City Surveyor is satisfied the data collected for the governance of projects, monitoring of the department's business plan and other objectives is consistent, high quality, timely, comprehensive and supports good decision making within the department.

Conclusion

16. The City Surveyor's Department has continued to effectively manage the City of London's property assets in a challenging environment.

17. The Covid-19 pandemic shifted the department's priorities and there has been greater emphasis on tenant retention. The department also worked hard to ensure the continued operation of key sites during the period of Covid-19 shutdown

Appendices

- Appendix A – Budget Monitoring Statement
- Appendix B – KPI Tables
- Appendix C – Headline Performance Charts
- Appendix D – Market Commentary

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