

Committee(s)	Dated:
Property Investment Board – For information Corporate Asset Sub (Finance) Committee – For information	17 September 2021 30 September 2021
Subject: Business Plan 2021-26 Quarter 1 2021/22 Update	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 358/21)	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 1 (April to June) 2021/22 against the 2021-26 Business Plan. It provides Members with an update on the commercial property market and a financial statement.

This report also provides an update to the end-of-year 2020/21 Progress Report (CS 205/21) in relation to KPI. 17 Outperformance of MSCI return benchmarks.

In line with the 2020-21 business planning update reports, we will not be providing a Red-Amber-Green (RAG) assessment for three measures. Each of these relate to investment property performance where it has been exceedingly difficult to set meaningful targets. We will continue to report performance data to Members, but only without a target associated with these items.

Of the fourteen KPIs that are being monitored, six were assessed as green (on target) and one indicator was amber (marginally behind target). Three items will not have a RAG assessment made, and four further measures will be assessed throughout out the year.

The amber indicator was the following:

- KPI. 6 – Capital project Risk Status (PIB and CAsC)

Finally, the quarter 1 budget monitoring reveals that the City Surveyor is projecting a £1.273m overspend (4.3%) at year end against his local risk budget. Budgets are being reviewed with a view to reducing this forecast expenditure by year-end.

Recommendation(s)

That Members 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 1 (April – June) against the 2021-26 Business Plan.

Current Position

2. This report provides the latest budget information which is set out in Appendix A. Appendix B provides a detailed table of the department's Key Performance Indicators (KPIs). Charts of performance indicators that are of interest to your Committee are included in Appendix C. Commentary on the commercial property market is included in Appendix D.
3. In addition, Members receive regular monitoring reports covering Rent Reviews, Lease Renewals, Arrears, Vacancies and Delegated Decisions. These provide indications of the current market situation, particularly for directly managed properties.
4. A separate monitoring report on the risks within the department is also presented at this meeting.

Financial Statement

5. The budgetary position for quarter 1, set out in Appendix A. This reveals that the City Surveyor is forecasting an overspend of £1.273m at year-end against a budget of £29.904m (4.3%).
6. The main reason for this overspend is a need to identify circa £1m of further savings to meet the remaining fundamental review and 12% savings target. The City Surveyor was set a savings target in 2021/22 of £4.125m. Of this target just over £3m of savings were identified as part of the Original Budget exercise for 2021/22. Of the remaining £1m, some £526k is for a fundamental review facilities management (FM) reorganisation saving which was put on hold by Establishment Committee pending the Target Operating Model (TOM). The City Surveyor's TOM has been agreed and he is now able to progress this saving, though because of the delay only a part year saving, if any, will be made in 2021/22. Members should note that the Enabling Services TOM, which impacts the City Surveyor's Department, is scheduled for a later phase.
7. The City Surveyor is continuing to review other budgets to identify further savings to bring the forecast outturn back into balance. These will be picked up as part of the estimate exercise in the Autumn.

Business Plan progress reporting

Quarter 4 2019/20 update

8. In the quarter 4 update (CS 205/21) one measure was highlighted to be reported to Committee in this quarter.

A. KPI. 12 – Outperform Morgan Stanley Capital Index (MSCI) benchmark (PIB)

This has been assessed as Green

All three Funds outperformed the Benchmark on an annualised five-year basis:				
Estate	House Fund	Bridge House Estates	City's Estate	City Fund
Total Fund Return %	7.10	10.18	6.08	6.64
Benchmark Return %	4.29	4.29	4.29	4.29
All portfolios outperformed the Benchmark over 3,5,7 10 and 27 year				

Quarter 1 2021/22 update

9. Ordinarily the department would report a RAG status against all its fourteen KPIs. This is based upon performance against target, or expected, performance. The COVID-19 pandemic has altered our capacity to target set some measures in relation to the investment estate.

10. Whilst many KPIs will be impacted by COVID-19, the ones that will not be RAG assessed this year are as follows:

A. KPI. 9 – Rental forecasts (PIB)

Rental forecast figures will be reported separately to PIB (CS 357/21)

B. KPI. 10 – Minimise arrears (PIB)

Arrears stand at 13.52%

C. KPI. 11 – Minimise voids (PIB)

Voids are reported twice a year. As of 1 June, the void figure was 3.45%.

11. Members will note the inclusion of the thematic COVID-19 risk register as part of your regular Risk report. This includes a specific risk relating to the impact on our investment property returns.

Performance

12. A RAG status is used to summarise the progress of the performance indicators we are measuring 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 1.

Status ¹	Green	Amber	Red	TBC	N/A
Corporate Asset Sub Committee	6	1	0	1	2
Property Investment Board	4	1	0	0	5
Overall ²	6	1	0	1	6

13. Of the fourteen key performance indicators being monitored, six were assessed as being on target (green), with one indicator marginally behind target (amber). Four indicators will be assessed throughout the year and three figures will be reported without a RAG status.

14. The following indicator was marginally behind target at the end of quarter one:

A. KPI. 6 – Capital project risk status (PIB and CAsC)

The objective of this indicator is to look at the risk status of each project, comparing the percentage of 'red projects' to the overall number of projects. A target has been set for red projects of no more than 20%.

Quarter 1 result for this indicator just above target at 21%.

The amber rating is a direct result of COVID-19 and associated lockdowns. This resulted in several projects requiring additional funding or exceeded their target delivery timescales.

There are two specific risks on our COVID-19 risk register in relation to project delivery, and this is being tracked closely by the department.

Conclusion

15. Looking forward, the impact of COVID-19 on departmental delivery will undoubtedly be challenging. However, the department is well placed to achieve its objectives, whilst effectively managing its risks.

Appendices

Appendix A	Budget Monitoring Statement
Appendix B	Key Performance Indicator Table

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.

Appendix C Headline Performance Charts
Appendix D Market Commentary

Background Papers

The City Surveyor – The City Surveyor's Business Plan 2021-26

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