

Committee(s)	Dated:
Corporate Asset Sub (Finance) Committee – For information	24 November 2021
Property Investment Board – For information	26 November 2021
Subject: Business Plan 2021-26 Quarter 2 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 453/21)	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 2 (July to September) 2021/22 against the 2021-26 Business Plan. It also provides Members with an update on the commercial property market and a financial statement.

In line with earlier reporting periods, three measures are not being Red-Amber-Green (RAG) assessed currently. 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, eight were assessed as green (on target) and two indicators were amber (marginally behind target). Three items continue not to have a RAG assessment made, and the final measure will be assessed at the end of the reporting year.

The amber indicators were as follows:

- KPI. 1 – Asset Realisation and Additional Income (CAsC)
- KPI. 14 – Digital Infrastructure Strategy (PIB and CAsC)

Finally, the quarter 2 budget monitoring reveals that the City Surveyor is projecting a £906k overspend (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 approach, this is a quarterly report on the progress made during quarter 2 (July - September) 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 2, set out in Appendix A, reveals that the City Surveyor is forecasting an overspend of £906k at year-end against a budget of £30.010m (3%). This is an improvement on the forecast at quarter 1, which predicted a £1.273m overspend.
6. The main reason for the overspend is the 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. However, only a part year saving, if any, will be made in 2021/22.
7. The City Surveyor is continuing to review budgets to identify one-off savings to bring the forecast outturn back into balance for this financial year. Progress will be reported at quarter 3.

Business Plan progress reporting

Quarter 1 2021/22 update

8. KPI. 3 – Energy Consumption (CAsC)
Quarter 1 performance – 16% reduction, Green

This indicator is typically reported a quarter in arrears. For quarter 1 the result was a 16% reduction when corrected for the impact of the weather. This is ahead of the target for this item (exceeding 4% reduction in consumption).

This saving was largely due to the closure of buildings due to the COVID-19 lockdown which occurred across this period, disposal of sites such as Snowhill and Wood Street Police Stations, as well as active management of the Building Energy Management System (BEMS) by the Energy Team.

Quarter 2 2021/22 update

9. The following KPIs are not currently being assessed against a target, and consequently no RAG status will apply. These measures are under constant review, and when there is additional clarity over what constitutes positive performance, the targets will be updated. This is anticipated to be from April 2022.

- A. KPI. 9 – Rental forecasts (PIB)
- B. KPI. 10 – Minimise arrears (PIB)
- C. KPI. 11 – Minimise voids (PIB)

Performance

10. 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 2.

Status ¹	Green	Amber	Red	TBC	N/A
Corporate Asset Sub Committee	8	2			
Property Investment Board	5	1		1	3
Overall ²	8	2		1	3

11. Of the fourteen key performance indicators being monitored, eight were assessed as being on target (green), with two indicators marginally behind target (amber). As noted in paragraph 9, three measures do not have a RAG assessment, and one measure will be reported at the end of the reporting year.

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.

12. The following indicators was marginally behind target at the end of quarter two:

A. KPI. 1 – Asset Realisation and Additional Income (CAsC)
Quarter 2 performance – ‘off target’, Amber

The objective of this indicator is to attain receipts (capital and projected income) that are > 90% of the total forecast value of £1.9m. There is also an additional income target £1.5m per annum. This relates to an increase in rental billing (achieved through lease events), not in relation to rent received.

Update

Park View

On target, the Committee has approved disposal and easement. Total receipts of £171,500, broken down as follows:

- City Fund - £148,500
- Epping Forest Capital Fund - £23,000

Ministerial consent has been received for disposal, with legal to complete. Estimated completion of December 2021.

Woodredon Farm and Equestrian Centre

This site is on the market and initial offers received and currently being assessed. On target to achieve disposal by 31 March 2022, subject to Committee approvals.

Green Lane

This asset is off target. There is an on-going issue related to an agricultural tenancy which overlaps part of the site (garage). Epping are trying to remove the tenant from the entire site for their own reasons and this process is ongoing. This activity would also resolve the tenancy overlap issue. The department expects an update in December 2021.

Income Target

The income target is not forecast to be achieved. The continued impact of COVID-19 and the resulting market uncertainty, combined with the extended moratorium on forfeiture provisions until March 2022, have led to a delay in agreeing transactions. This element of the KPI is unlikely to be met by year end.

B. KPI. 14 – Digital Infrastructure Strategy (CAsC and PIB)
Quarter 2 performance – ‘off target’, Amber

The objective of this indicator is to deliver the Digital Infrastructure Strategy by the end of 2022. This strategy focusses on encouraging and facilitating the deployment of telecommunications networks to boost economic growth,

digital inclusion, and deliver a range of societal benefits. This delivery of this strategy is assessed against quarterly milestones. The quarter 2 milestone was to “deploy pilot and agree location of the phase 1 rollout”. This was not achieved – therefore an amber rating has been assessed.

The milestone was not achieved due to ownership changes in the wireless concession partner. This has caused a delay as the contract to deliver the pilot was being held in abeyance. It is expected that sign-off will be achieved in quarter 3, allowing the deployment of the pilot in quarter 4. The location of the phase 1 rollout has been agreed with officers, but the department will only seek Committee approval once contract has been signed.

Conclusion

13. This continues to be a challenging time. 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
Appendix C	Headline Performance Charts
Appendix D	Market Commentary

Background Papers

The City Surveyor – The City Surveyor’s Business Plan 2021-26 (CS 347/20)
The City Surveyor – Business Plan Quarter 1 Update (CS 358/21)

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