

Committee(s)	Dated:
Property Investment Board – For information Operational Property and Projects Sub Committee – For information	13 May 2022 30 May 2022
Subject: City Surveyor's Business Plan 2021-26 Quarter 3 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 (CS123/22)	For Information
Report author: John Galvin / Faith Bowman City Surveyor's Department	

Summary

This report provides Members of Property Investment Board (PIB) and Operational Property and Projects Sub Committee (OPPSC) details of progress in quarter 3 (October to December) 2021/22 against the 2021-26 Business Plan.

The election purdah period has meant that the presentation of this report has been delayed. Therefore, whilst this is the formal quarter 3 update report, wherever it is possible to include quarter 4 data (January to March), this has been noted. The regular quarter 4 report will be presented to Committees later in the year.

The report also provides Members with an update on the commercial property market and a financial statement.

For quarter 3, five key performance indicators (KPIs) were ahead of target (green), four were marginally behind target (amber) and four items were not assessed in the period. One final measure is only reported at the end of the reporting year.

The amber indicators were as follows:

- KPI. 1 – Asset Realisation and Additional Income (OPPSC)
- KPI. 3 – Space utilisation (OPPSC)
- KPI. 6 – Capital Projects risks status (OPPSC and PIB)
- KPI. 14 – Digital infrastructure strategy (OPPSC and PIB)

It should be noted that KPI. 3 has data available for quarter four, where it ended the year ahead of target (green).

The financial position at quarter 3, set out in Appendix A, reveals that the City Surveyor is forecasting and overspend at year-end of £874,000 against a budget of £30.5m (2.9%). This is being closely monitored.

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 3 of 2021-22 (September to December) against the 2021-26 Business Plan.
2. Due to the election purdah period this report has been presented to Members later in the year than it would otherwise. Therefore, whilst this is the formal quarter 3 report, wherever it has been possible to include quarter 4 data, this has been noted. The full year-end and quarter 4 report will be presented to Members later in the year.

Current Position

3. 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.
4. 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.
5. A separate monitoring report on the risks within the department is also circulated for this meeting.

Financial Statement

6. The position at quarter 3, set out in Appendix A, reveals that the City Surveyor is forecasting and overspend at year-end of £874,000 against a budget of £30.5m (2.9%).
7. Whilst efforts are being made to contain this overspend, the position could deteriorate if there are further tenant failures. This would result in increased unrecoverable void costs which would have to be met from his budget. The position is being closely monitored.
8. The end of year finance data was not fully signed off at time of circulation and a full update will be provided in the quarter 4 report.

Business Plan progress 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 quarter 1 2022/23.
- KPI. 9 – Rental forecasts (PIB)
 - KPI. 10 – Minimise arrears (PIB)
 - KPI. 11 – Minimise voids (PIB)

Quarter 3 2021/22 update

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 3.

Status ¹	Green	Amber	Red	TBC	N/A
Operational Property and Projects Sub Committee	5	4			1
Property Investment Board	5	4		1	4
Overall ²	5	4		1	4

11. Of the fourteen key performance indicators being monitored, five were assessed as being on target (green), with four 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.

12. The following indicators was marginally behind target at the end of quarter 3:

- KPI. 1 – Asset Realisation and Additional Income (OPPSC)
Quarter 3 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. As we approach the end of the financial year, an update on our key sites is noted below:

Park View

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 OPPSC. Therefore, row indicating KPIs overall is not a total of the PIB and OPPSC rows.

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

Woodredon Farm and Equestrian Centre

Second round offers have been received and assessed. Member decision on the recommended purchaser is expected shortly with completion in later in August.

Green Lane

This site is not on target. There are complex estate management issues which are being worked through in consultation with the Epping Estate Team, supported by external advice. Resolution is expected by September 2022.

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 many transactions. This element of the KPI is unlikely to be fully met by year-end. Despite these headwinds, the department has also generated combined additional savings, income and capital receipts from transactions completed in 2021/22 across the operational estate of £3.35m (of which £166k contributes to departmental local risk). Furthermore, additional income of circa £122k per annum has been secured through the lease event programme managed by this department on behalf of other services i.e., the management of the third-party interests (leases, licences etc).

B. KPI. 3 – Space Utilisation (OPPSC) Quarter 3 performance – ‘off target’, Amber

The end of year target for this indicator was to reduce the ‘office space cost per FTE by 5% (to £3,826/FTE). Whilst this indicator was off target at the end of quarter 3, the year-end figure achieved £3,739/FTE and hence achieved its target.

C. KPI. 6 – Capital Project – Project Risk Status (OPPSC and PIB) Quarter 3 performance – 23%, Amber

The objective of this indicator is to look at the Risk Status of each project comparing the percentage of ‘Red-status’ projects to the overall number of projects. A target has been set for red projects not more than 20%. The quarter 3 result for this indicator was just above target at 23%.

The amber rating is a direct result of COVID-19 and site restrictions. Due to these limitations several projects are still running behind programme and therefore did not achieve a green status.

D. KPI. 14 – Digital Infrastructure Strategy (OPPSC and PIB)
Quarter 3 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 target has not been achieved in quarter due to the wireless concession partner changing ownership. Consequently, the contract to deliver the pilot was being held in abeyance. It is expected that sign-off will be achieved to allow deployment of the pilot in quarter 1 2022/23.

Conclusion

13. The department continues to perform well, supporting the City Corporation in recovering from COVID-19.

Appendices

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| • Appendix A | Budget Monitoring Statement |
| • Appendix B | Key Performance Indicator Table |
| • Appendix C | Headline Performance Charts |
| • Appendix D | Market Commentary |

Background Papers

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|---------------------|---|
| • 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) |
| • The City Surveyor | Business Plan Quarter 2 Update (CS453/21) |

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