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| Committee(s) | Dated: |
| Property Investment Board – For information Operational Property and Projects Sub Committee – For information | 19 July 2022 20 July 2022 |
| Subject: City Surveyor’s Business Plan 2021-26 Quarter 4 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 220/22) | For Information |
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Summary

This report provides Members of Property Investment Board (PIB) and Operational Property and Projects Sub Committee (OPPSC) details of progress in quarter 4 (January to March) 2021/22 against the 2021-26 Business Plan.

Since the onset of Coronavirus in early 2020 we have not been providing a Red-Amber-Green (RAG) assessment for three measures. Each of these relate to investment property performance where, whilst we have reported on performance, it has been difficult to set meaningful targets. We have set targets for 2022/23 and will report on these along with the other Key Performance Indicators.

The department has continued to perform well. The last 12 months have been extremely challenging as the City returns to the ‘new normal.’ We have 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, and the promotion of the City – this is a testament to the commitment and drive of our staff whilst in adapting to change.

At the end of the reporting year, seven key performance indicators (KPIs) achieved the target (green), and three items were marginally behind in achieving the target set for the year. One final measure (MSCI outperformance) will be reported in the first quarter of 2022/23 as information was not available at the time of writing this report.

The red indicators were as follows:

- KPI. 1 – Asset Realisation and Additional Income (OPPSC)
- KPI. 6 – Capital Projects risks status (OPPSC and PIB)

- KPI. 14 – Digital infrastructure strategy (OPPSC and PIB)

The financial position at the end of the year, set out in Appendix A, reveals that the City Surveyor was overspent by £1.159m against a budget of £27.743m (4.2%) for his City Cash and City Fund services. The City Surveyor's Bridge House Estates services, which are now shown separately, were underspent by £251k against a budget of £2.520m (10%).

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 4 of 2021-22 (January to March) 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 circulated for this meeting.

Financial Statement

5. The outturn reveals that the City Surveyor was overspent by £1.159m against a budget of £27.743m (4.2%) for his City Cash and City Fund services. This overspend contained two exceptional items. One was £313k for business rates due to a tenant failure on City's Estate. The second was an overspend at the Central Criminal Court principally due to extra cleaning and equipment, as a result of COVID-19, and additional energy costs. As the service was only transferred to the City Surveyor in November 2021 there was little opportunity for him to have any impact on this overspend at the Court. The reasons for remainder of the overspend are set out in Appendix A.
6. This year the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee have agreed that no departmental overspend will be carried forward into 2022/23.

7. The City Surveyor's Bridge House Estates services, which are now shown separately, were underspent by £251k against a budget of £2.520m (10%). This was due to underspend on repairs and maintenance, partly due to a project not completing, as well as savings on energy costs. These underspends were in part offset by additional professional fees for marketing Electra House (investment) and extra security costs. A small carry forward budget of £40k has been approved by the Bridge House Board out of the underspend. This carry forward will be used to complete work to upgrade lighting at Viper Industrial Estate (investment) to improve the buildings EPC to a B. This work did not complete in 2021/22.

Business Plan progress update

8. The following KPIs are not currently being assessed against a target, and consequently no RAG status will apply. As London emerges from Coronavirus-imposed restrictions, we will again report against a target for these measures. This is anticipated to be from quarter 1 2022/23.

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

Quarter 4 2021/22 update

9. 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 4.

| Status ¹ | Green | Amber | Red | TBC | N/A |
|---|-------|-------|-----|-----|-----|
| Operational Property and Projects Sub Committee | 7 | | 3 | | |
| Property Investment Board | 1 | | 2 | 1 | 3 |
| Overall ² | 7 | | 3 | 1 | 3 |

10. Of the fourteen key performance indicators monitored, seven were assessed as being on target (green), with three indicators ended the year behind target (red).

11. As noted in paragraph 8, three measures do not have a RAG assessment. One further measure, relating to our investment performance against the Morgan

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.

Stanley Capital Index (MSCI) benchmark, will reported in quarter 1 once data is finalised.

12. KPI.2 – Corporate Energy Consumption recorded a weather corrected year-on-year increase of 4%. However, this measure has been assessed as green as the equivalent period in 2020/21 was heavily impacted by COVID-19 lockdowns. A comparison with the year prior (2019/20) shows a 17% weather corrected reduction in consumption, which is tracking ahead of the long-term target.

13. The following indicators was marginally behind target at the end of quarter 4:

A. KPI. 1 – Asset Realisation and Additional Income (OPPSC)
Quarter 4 performance – not achieved

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

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. The preferred bidder has recently withdrawn from the process and the under bidders are currently being considered.

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 before this property will be ready for disposal.

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 and new uplifts in rental payments.

Despite these headwinds, the Corporate Property Group in the department has generated combined additional savings, income and capital receipts from transactions completed in 2021/22 across the operational estate of £3.35m (of which only £166k contributes to departmental local risk budget). Furthermore, additional income of circa £122k per annum has been secured through the lease event programme managed by this department on behalf of other service departments i.e., the management of the third-party interests (leases, licences etc).

B. KPI. 6 – Capital Project – Project Risk Status (OPPSC and PIB)
Quarter 4 performance – 23%.

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 4 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.

C. KPI. 14 – Digital Infrastructure Strategy (OPPSC and PIB)
Quarter 4 performance – not achieved

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

Over 2021/22 the department performed exceptionally well. The year was characterised by uncertainty driven by the Coronavirus pandemic. The fact that most of our measures met and exceeded target is a testament to the commitment and professionalism of the department’s workforce.

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)
- The City Surveyor Business Plan Quarter 2 Update (CS453/21)
- The City Surveyor Business Plan Quarter 3 Update (CS123/22)

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