

<b>Committee(s)</b>	<b>Dated:</b>
Operational Property and Projects Sub Committee – For information	06 March 2023
Property Investment Board – For information	19 May 2023
<b>Subject:</b> City Surveyor’s Business Plan 2022-27 Quarter 3 2022/23 Update	<b>Report – public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>4, 7, 11, 12</b>
<b>Does this proposal require extra revenue and/or capital spending? N/A</b>	<b>N</b>
<b>If so, how much? N/A</b>	<b>N/A</b>
<b>What is the source of Funding? N/A</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department? N/A</b>	<b>N/A</b>
<b>Report of: The City Surveyor (CS 065/23)</b>	<b>For Information</b>
<b>Report author:</b> 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) 2022/23 against the 2022-27 Business Plan.

Of the thirteen key performance indicators being monitored five were assessed as being green, on target. There were also five measures which were assessed as amber. Two further indicators are assessed in quarters 2 and 4, and one is assessed annually.

This report was due to be presented to Members of PIB at the March meeting of this Committee. The March Board was cancelled, and hence this report is only being presented to the May meeting of PIB.

Against an overall local risk budget of £32.245m, the City Surveyor is currently forecasting an overspend of £1.076m (3.3%). If Bridge House Estates services are excluded the City Surveyor is forecasting an overspending of £1.131m against a budget of £29.163m (3.9%) Whilst the department’s local risk position is challenging, it continues to develop income and capital receipts for the organisation not reflected within the local risk budget figures.

### 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 2022-23 (October to December) against the 2022-27 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. A separate monitoring report on the risks within the department is also circulated for this meeting.

### **Financial Statement**

4. The quarter 3 monitoring figure reveal that against an overall local risk budget of £32.245m, the City Surveyor is currently forecasting an overspend of £1.076m (3.3%). If Bridge House Estates services are excluded the City Surveyor is forecasting an overspending of £1.131m against a budget of £29.163m (3.9%) for his remaining City Fund and City's Cash services.
5. The principal reason for this deficit is an overspend on the departmental division of service budget. This is partly due to the remaining 12% Target Operating Model (TOM) savings which won't be realised until next financial year. A further contributing factor is the £280,000 of cross cutting Fundamental Review savings, concerning the centralisation of asset management and project management, which the City Surveyor was unable to progress as it was superseded by the TOM.
6. There is an overspend at the Central Criminal Court (CCC), projected to be £341k by year-end. The City Surveyor took responsibility for the management of this site in 2021, and a review of the CCC's finances revealed that the site had not been in balance for the preceding five years. The projected overspend has risen in recent years, driven by several factors - notably increased security and cleaning, developed through the pandemic, coupled with a move to open the Court throughout the year. It should be highlighted that the security and cleaning regime has now returned to normal service levels.

The CCC is funded through a historic agreement with His Majesty's Courts & Tribunals Service (HMCTS) which allocates a percentage split to various costs. As outlined above there has been an increase in the overall spend at the site, and this had meant that the City is responsible for a portion of these additional costs. The City Surveyor is intending to address this as part of wider discussions on how the running costs of the new court at Salisbury Square will be met by HMCTS.

In the interim the City has undertaken a review of the agreement with HMCTS, most recently in January 2023, and we are confident we are recovering all costs allowable under the existing agreement. On a positive note, limited income is generated by hosting events at the CCC, circa £90K by year, some £20K more than budgeted and we are considering ways to expand income further in the coming year.

7. Whilst the department's local risk position is challenging, it continues to develop income and receipts for the organisation and other budgets not held by the City Surveyor. To the end of quarter 3, the City Surveyor has generated in excess of £11.4m (£10.848m in capital receipts, and £0.560m in additional income) across the operational estate through highway transactions, rights of light claims and operational property opportunities. Only £0.367m is attributable to the City Surveyor's local risk. The department manages the commercial third party lease portfolio within the operational estate on behalf of other departments with year-to-date (mid-Feb) lease events contributing £178k per annum to the organisation.

### Quarter 3 2022/23 update

8. 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 <sup>1</sup>	Green	Amber	Red	N/A
Operational Property and Projects Sub Committee	2	4		2
Property Investment Board	4	3		2
Overall <sup>2</sup>	5	5		3

9. Of the thirteen KPIs monitored, five were assessed as being on target (green), and five are behind target (amber). Three further measures are reported either bi-annually or at the end of the reporting year.

10. The amber KPI is as follows:

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

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

<sup>2</sup> Some KPIs relate to both PIB and OPPSC. Therefore, row indicating KPIs overall is not a total of the PIB and OPPSC rows.

The City Corporation is seeking to achieve in excess of 90% of the total forecast of asset realisation and additional income. The forecast figure is £19.6m for 2022/23.

The forecast figure of £19.6m for 2022/23 includes a number of disposals. Whilst most are progressing in line with expectations, we have experienced a delay at West Ham Park. Here the contract exchange has been delayed whilst pre-application discussions are undertaken with statutory parties. This transaction, if progressed, will fall into the 2023/24 reporting year.

B. KPI. 3 – Delivery of Climate Action Strategy (CAS) milestones – operational property (OPPSC)

This measure is targeting a 5% year-on-year reduction in carbon emissions. For the period an increase of 3% was recorded.

The indicator compares emissions with 2021/22 which, for the October-December period, included a period of COVID-19 lockdown. The overall reduction from the 2018/19 baseline year continues to show that the City Corporation is on track to meet its long-term CAS objectives.

C. KPI. 4 – Delivery of Climate Action Strategy (CAS) milestones – investment property (PIB)

This measure is targeting the delivery of investment property CAS milestones. One workstream element is showing a two-month delay to the expected completion date (to June 2023).

D. KPI. 6 – Adherence to budgetary profiles (OPPS and PIB)

The objective is to ensure that, by the end of the reporting year, the City Corporation spends between 95% and 105% of programmed property project budgets. At quarter three, this was 59.1%.

The majority of posting occurs in quarter four, however the quarterly figure was behind profile. The main drivers of this performance are:

- Investment Property Group (IPG) revenue budget. This has been substantially reduced by IPG Asset Managers to £3.15m (from £4.5m). Circa 90% of this revised value has been committed.
- Cyclical Works Programme (CWP) report a low spend to date, but over 80% of the annual budget has now been committed. A significant portion of the uncommitted budget (around £1.5m) lies with the Barbican Centre and GSMD. At these sites there has been operational planning constraints which have impacted the ability to deliver projects.

E. KPI. 7 – Capital projects risk status (OPPS and PIB)

This indicator looks at the RAG status of each project with target that fewer than 30% of projects have an overall assessment of “red”. At quarter 3 this was 43%.

A number of projects are outside of target due to increased cost resulting from inflation, and extended programmes as a result of COVID-19.

## Conclusion

11. Whilst there are five measures behind target, the relevant teams are working diligently to recover time and ensure that programmes are delivered in line with expectations. Whilst the department’s local risk position is challenging, it continues to develop income and receipts for the organisation.

## 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 2022-27 (CS 454/21)
- The City Surveyor The City Surveyor’s Business Plan 2022-27 – Quarter 1 2022/23 Update (CS 271/22)
- The City Surveyor The City Surveyor’s Business Plan 2022-27 – Quarter 2 2022/23 Update (CS 361/22)

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