

Committee(s)	Dated:
Investment Committee – For information	07 July 2023
Subject: City Surveyor’s Business Plan 2022-27 Quarter 4 2022/23 Update	Report – public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	4, 7, 11, 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 176/23)	For Information
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Summary

This report provides Members of Investment Committee (IC) details of progress in quarter 4 (January to March) 2022/23 against the 2022-27 Business Plan. A similar report is presented to Members of Operational Property and Projects Sub Committee (OPPSC, CS 184/23).

The department has continued to perform well in a challenging environment. The delivery of core services remains the focus of the team, and normalising performance following the considerable turbulence arising from the COVID-19 pandemic.

At the end of the reporting year, of the nine departmental key performance indicators (KPIs) relevant to this Committee, three achieved (green), and four failed (red) to meet their targets. One measure is reported in odd quarters, and one final measure (MSCI performance benchmark) was being finalised at the time of writing this report.

The red indicators were as follows:

- KPI. 4 – Delivery of Climate Action Strategy Milestones – Investment Property
- KPI. 7 – Capital Projects – project risk status
- KPI. 10 – Rental forecasts
- KPI. 11 – Minimise arrears

The City Surveyor’s end of year outturn reveals that the department was overspent by £569,000 at year end on City Fund and City Cash services. This was against a budget of £28.9m (2%). Bridge House Estates services were £777,00 underspent.

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 2022-23 (January to March) 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). This indicates to which Committee (OPPSC or IC) a measure is being reported. Charts of performance indicators are included in Appendix C. Commentary on the commercial property market is included in Appendix D. An update on Climate Action Strategy is included as Appendix E.
3. A separate monitoring report on the risks within the department is also circulated for this meeting.

Financial Statement

4. The City Surveyor's end of year outturn reveals that the department was overspent by £569,000 at year end on City Fund and City Cash services. This was against a budget of £28.9m (2%). Bridge House Estate services were £777,000 underspent, largely due to savings on business rates, lower than anticipated voids, and from some business rate refunds in earlier years. If this is considered, the overall position is an underspend of £208,000 against a total budget of £31.2m (0.7%).
5. The full details of the variances are set out in Appendix A. The overspend on the City Surveyor's City Fund and City Cash services is principally due to residual Target Operating Model (TOM) and carried forward Fundamental Review (FR) savings targets not being achieved in the year. This included £280,00 of cross cutting FR savings relating to the centralisation of project and asset management across the City, which predate the TOM and cannot now be achieved under the delivered TOM design. Going forward it has been agreed that these FR savings will be met from the overall savings on the new Integrated Facilities Management contract which came into effect in April 2023.

Quarter 4 2022/23 update

6. 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 for both its reporting Committees at the end of quarter 4.

Status ¹	Green	Amber	Red	TBC	N/A
Operational Property and Projects Sub Committee	4		4		
Investment Committee	3		4	1	1
Overall ²	4		7	1	1

7. For the department, four measures achieved their target (green) whilst seven failed to do so (red). One measure (KPI. 12 – minimise voids) is reported every six months in quarters 1 and 3, and one further measure (KPI. 13 – outperform MSCI benchmark) was still being finalised at the time of writing this report. This figure will be reported separately to the July IC.

8. The following four measures relevant to IC were behind target.

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

The objective of this KPI is to achieve the milestones in the delivery plan for Climate Action Strategy for the Investment Property Portfolio consisting of a set of sub-tasks to progress towards net zero.

At the end of the reporting year, there was a delay to three workstreams. These will be completed by July 2023. Full details are contained in Appendix E.

B. KPI. 7 – Capital projects – project risk status

This indicator looks at the RAG status of each project with target that fewer than 20% of projects have an overall assessment of “red”. At quarter 4 this was 43%.

A significant number of projects are outside of target, this principally due to increased cost resulting from high levels of construction price inflation (as highlighted in the department’s risk register), and extended programmes resulting from COVID-19.

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

² Some KPIs relate to both IC and OPPSC. Therefore, row indicating KPIs overall is not a total of the IC and OPPSC rows.

C. KPI. 10 – Rental forecasts

This measure assesses our rental forecasts against that made at the commencement of the reporting year.

The difference between the March 2023 outturn and that estimated earlier in the year reflects a combination of sales completing earlier than anticipated. Further detail is provided in the Investment Property Monitoring Report, also reported to this Committee.

D. KPI. 11 – Minimise arrears

This measure had a target which reduced quarter-on-quarter, attempting to model a return to 'normal'. The end-of-year target for this measure was under 2%. The 2% target is in line with pre-COVID performance targets.

The end of year performance reported 5.7%, in excess of the target. Despite this figure, it should be highlighted that as recently as June this item was recording 9.3% arrears.

Conclusion

9. Over 2022/23 the department continued to perform well whilst completing organisational changes under the TOM. Whilst some measures did not achieve the target set 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 budget position remains challenging, particularly with the impact of inflation, CSD continues to achieve new income and capital receipts for the wider organisation.

Appendices

- Appendix A Budget Monitoring Statement
- Appendix B Key Performance Indicator Table
- Appendix C Headline Performance Charts
- Appendix D Market Commentary
- Appendix E Climate Action Strategy – Investment Property

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)
- The City Surveyor The City Surveyor's Business Plan 2022-27 – Quarter 3 2022/23 Update (CS 065/22)

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