

Committee(s)	Dated:
Resource Allocation Sub (Policy and Resources) Committee	11 July 2024
Subject: City Surveyor's Business Plan 2023-28 - Quarter 4 2023/24 Update	Report – public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
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 and Executive Director of Property (CS.159/24)	For Information
Report author: John Galvin/Anna Flashman/Faith Bowman City Surveyor's Department	

Summary

- This report provides Members of Resource Allocation Sub (Policy and Resources) Committee (RASC) details of the key performance indicators in quarter 4 2023/24 against the City Surveyor's 2023-28 Business Plan. A similar report is presented to Members of Investment Committee (IC, CSD).
- Overall, the department has continued to successfully deliver against its approved objectives set out in the Business Plan in a challenging environment. In 2023/24 the delivery of core services, providing significant support to the progression of major programmes and the integration of the Markets team into the department have remained key priorities.
- In 2023/24 key achievements for the department were as follows:
 - The approval of £133.7m for the Cyclical Works Programme (CWP). This comprises of £55.1m backlog requirements (known as the bow wave), £75.8m of forward plan works over the next three years, and c£2.8m for staff resourcing. This will be delivered over a five-year period. £18m of these works are part of our pathway to net zero carbon. The CWP excludes ring-fenced and institutional property.
 - Generation of £1.5m additional new property income (highways transactions and property disposals) and £4.4m rates savings over 6 years of the ratings list benefitting the Corporation's budgets beyond the City Surveyor's.
 - The implementation of the new Integrated Facilities Management (IFM) approach, driving further efficiency and savings across the organisation.
 - Additional rent of £6.6m against the Original Budget of £98.2m by the Investment Property Group, supporting the City Corporation's public value aspirations.

- Successful implementation of the class-leading property management software system known as MRI Horizon, helping improve the management of all property income across the organisation (investment and operational property income).
 - Property Projects Group successfully completed the following projects: Barking Reach Remediation Project, 84 Moorgate Investment Project, New Bridge Street Investment Project and the Rough Sleepers Assessment Centre for Community and Children's Services.
 - Significant reduction of £8.6m in energy costs through the Power Purchase Agreement through credits received and a reduction in our market-based emissions of 11,090 tCO₂e.
- Seven of the City Surveyor's Department (CSD) performance measures are overseen by RASC. At the end of the reporting year, two achieved target (green), three marginally behind (amber) and two were below target (red).
 - The red indicators were as follows:
 - KPI. 1 – Asset realisation and additional income (however, see above achievements)
 - KPI. 5 – Adherence to Budgetary Spend Profiles
 - The City Surveyor's 2023/24 outturn indicates that the department was overspent by £1.3m at year end on City Fund and City's Estate services. This was against a budget of £31.1m (4%). The key areas of overspend on the departmental budget line were; lower than anticipated vacancies on staffing budgets and some residual (12%) savings not being achieved; the Guildhall complex budget partly due to the vacancy budget not being achieved and additional agency staff being required across the security and function teams; and an overspend on Smithfield Market due to the savings target not being immediately achieved due to the closure of the Poultry Market. However, if the City Bridge Foundation underspend of £609k is taken into consideration, the overspend reduces to £691k (2%) against a total budget of £33.8m.
 - In relation to the Guildhall complex overspending, £180k relates to costs associated with Guildhall events. As the Guildhall trading account is not yet operational, the additional event income, which would otherwise offset this cost, is currently shown under the Remembrancer's local risk budget. However, if this is taken into consideration, the overall position is an overspend of £511k (1.5%) against a total budget of £33.8m.
 - These figures also exclude £1.5m additional property income (highways transactions and property disposals) and £4.4m rates savings generated by this department. This income benefits the City Corporation overall either as they accrue under the relevant departments local risk budgets, or through the organisation's central risk budget.
 - The department recently reviewed its cost pressures and income generating opportunities through the Deep Dive process. These are currently being considered by the Chamberlain's Department.

Recommendation

- 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 regular update report on the progress made against the department's 2023-28 Business Plan (CS 372/22). The City Surveyor's Department (CSD) reports performance quarterly to Resource Allocation Sub (Policy and Resources) Committee (RASC) and once every six months to Investment Committee.
2. The department's business plan outlines twelve Key Performance Indicators (KPIs). RASC oversee progress against seven of these measures, whilst Investment Committee oversee nine (four measures are reported to both Committees).
3. Performance is assessed on a traffic light basis (RAG), where red denotes a high risk of non-attainment, amber indicates some concern, whilst green denotes the measure being on/ahead of target.

Current Position

4. This report provides the latest budget information which is set out in Appendix A. Appendix B provides a detailed table of the department's KPIs.
5. A separate monitoring report on the risks within the department is also circulated for this meeting.

Financial Statement

6. The City Surveyor's 2023/24 outturn (Appendix A) reveals that the department was overspent by £1.3m (4%) against a budget of £31.1m at year end on City Fund and City's Estate services. However, if City Bridge Foundation is taken into consideration, the overall position is an overspend of £691k (2%) against a total budget of £33.8m.
7. The key drivers of the overspend on the City Surveyor's City Fund and City's Estate services is an overspend on Departmental and Guildhall salary budgets due to not achieving the vacancy factor, an additional £140k of recruitment and staff costs, additional agency staff costs, additional agency staff costs for the security and function teams and £151k of residual Fundamental Review savings that were not achieved.
8. In relation to the Guildhall complex overspending, £180k relates to costs associated with Guildhall events. As the Guildhall trading account is not yet operational, the additional event income, which would otherwise offset this cost, is currently shown under the Remembrancer's local risk budget. However, if this is taken into consideration, the overall position is an overspend of £511k (1.5%) against a total budget of £33.8m.
9. Additionally, there was an overspend on one-off reactive repairs and maintenance work at Smithfield Market. Further, the savings target at this location was not achieved following the closure of the Poultry Market.
10. These figures also exclude £1.5m additional property income (highways transactions and property disposals) and £4.4m rates savings over 6 years of the ratings list (New Street/Bishopsgate Police Stations) generated by this department. These amounts are accounted for under the relevant departments local risk budgets or under the central risk budget to the benefit of the City overall.

11. On a positive note, rental income which is shown under central risk, reveals an overall surplus of £6.6m compared to the original budget for City’s Estate and City Fund estate and of £2.1m against the latest December forecast.
12. The department has reviewed its cost pressures as part of the Deep Dive process. These pressures, and possible mitigations, are currently being considered by colleagues in the Chamberlain’s Department. This review further identified opportunities to generate additional income through charging on premium lease renewals and assisting with lucrative highway transactions. These opportunities are contingent on the availability of additional resource, and business cases are in development.

Quarter 4 2023/24 update

13. The table below provides an ‘at a glance’ assessment of the department’s performance through the second half of the 2023/24 reporting year.

Status ¹	Green	Amber	Red	TBC	N/A
Resource Allocation Sub Committee	2	3	2		
Overall (including non-RASC measures)	4	5	2	1	

14. Of the seven measures reported to this Committee, two were on target (green), three were marginally behind (amber) and two did not reach the target set at the beginning of the year (red).
15. The red and amber KPIs relevant to RASC are as follows:

A. KPI. 1 Asset Realisation and Additional Income (operational non-housing)

This measure tracks the additional income and receipts delivered by the City Surveyor’s Department – through both asset realisation and through the delivery of additional income for other departments. The target for this measure varies considerably year-on-year.

Target – £5.1m by the end of the year

2023/24 Performance - £1.5m (Red)

Whilst several property transactions were progressing in line with expectations, the sale of the former nursery site at West Ham Park did not progress due to planning issues and the purchaser withdrew from the purchase prior to exchange. This has negatively impacted year-end performance.

Several highway transactions are under negotiation including at 60 Aldgate High Street and 120 Fleet Street that are due for completion in early 2024/25 totalling £2.8m which has added to the year-end target not being fully met.

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

However, this will be a positive start in 2024/25 when these transactions are due for completion.

These figures exclude £4.4m rates savings generated by this department.

B. KPI. 4 Property Contract Performance Compliance

This indicator provides an overall assessment of our suppliers' performance against their contract measures. This is across eight criteria spanning both operational performance and key City of London objectives.

Target of more than 80% of contract measures achieved.

Performance 71% (Amber)

The integrated Facilities Management (IFM) contract was mobilised in April 2023. Performance across the IFM suppliers has improved with steadily each quarter. It should be recognised that the IFM contracts have now been in place twelve months against a 5+5-year contract term, and performance is good for this stage in the tenure.

C. KPI. 5 Adherence to Budgetary Spend Profiles (Projects)

This objective of this indicator is that the actual spend, plus spend that has been receipted, will fall between 95% and 105% of the revised budget by year-end. This would indicate that services and projects are being delivered, and they are being delivered within their anticipated budgets.

Estimated target -100% with programmed property projects within agreed tolerance 95% to 105% of revised budget

Performance 93% (Red)

Five investment projects were deferred with an estimated cost of circa £125m which has impacted year-end performance. Spend is in line with profile across most of the sub-categories, with overall expenditure only marginally behind profile.

D. KPI. 6 – Capital Projects – Project Risk Status

This indicator assesses the proportion of projects which are red (which may be due to cost, time, or a combination of both) against the total number of projects.

Target – Less than 30%

Performance – 43% (Amber)

As reported previously to this Committee over 60% of the department's current projects commenced in 2020 or before, meaning that their delivery has been significantly impacted by COVID-19. These projects have been subject to extended periods of reduced site capacity/productivity and from subsequent high levels of construction price inflation. This has resulted in a greater number of projects falling outside of time and/or price expectations. Whilst performance on current projects is positive, the volume of older projects has provided a drag on performance overall.

The department has flagged a risk on its departmental risk register relating to the possibility that a main contractor, or significant sub-contractor, may go into

administration. This item is covered in more detail on the Risk Update Report, also presented to this Committee.

E. KPI. 8 – Capital Projects – Site sustainability waste management

This indicator looks at the overall site waste management (the amount of waste diverted to land field sites).

Target more than 90%
Performance 89% (Amber)

This indicator has consistently performed above the target in the previous three quarters and the quarter 4 result is currently under review.

Corporate & Strategic Implications

Strategic implications

16. The City Surveyor's Department aims to support the outcomes in the Corporate Plan.
17. The department has a key role in delivering the vision for the City – through the delivery of major construction projects (Markets Co-location Programme, Salsbury Square, London Museum, Barbican Renewal), the maintenance of our heritage estate for the benefit of all of London, and the generation of significant income from both the investment and operational property portfolios supports all that we do.
18. The department continues to collaborate with corporate leads to ensure the successful delivery of our strategic priorities, notably Destination City, Climate Action Strategy and the City's Corporate Property Asset Management Strategy 2020-25.

Financial implications

19. Under the Financial Regulations overspendings on City Fund and City's Estate local risk budgets, whatever the amount, are automatically carried forward to be recovered in the next financial year unless waived wholly or in part by Finance Committee. Once Finance Committee has considered the matter, the City Surveyor will report back to Members in the next quarterly monitoring report setting out how the department intends to recover the overspending that has been carried forward into 2024/25.

Resource implications

20. The department has worked hard to identify a number of items to mitigate the underlying departmental pressures through the Deep Dive process. The department has identified opportunities to grow the delivery of income and capital receipts for the organisation. Business cases are in development for these opportunities as recourse will be required.

Legal implications

21. None

Risk implications

22. Key risks managed by the department are included in the Risk Update Report that is

also reported to this Committee.

Equalities implications

23. None.

Climate implications

24. The department supports the delivery of the Climate Action Strategy through the delivery of minor and major projects. This capacity has been enhanced by the agreement of funding for the Cyclical Works Programme, which includes £18m in carbon reduction works.

Security implications

25. None

Conclusion

26. Over 2023/24 the department has made good progress against its key deliverables set out in the Business Plan. 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 position is challenging and inflation costs rising it continues to generate significant income and capital receipts to support the CoLC financial sustainability.

Appendices

- Appendix A Budget Monitoring Statement
- Appendix B Key Performance Indicator Table

Background Papers

- The City Surveyor The City Surveyor's Business Plan 2023-28 (CS 372/22)
- The City Surveyor Business Plan Progress Report – Quarter 1 2023/24 Update (CS 278/23)
Business Plan Progress Report – Quarter 2 2023/24 Update (CS 310)
- The City Surveyor Business Plan Progress Report – Quarter 3 2023/24 Update (CS 045/24)

Departmental Performance & Services
City Surveyor's Department

Anna Flashman
E: Anna.Flashman@cityoflondon.gov.uk