

Committee(s)	Dated:
Investment Committee – For information	25 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 (CS.160/24)	For Information
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Summary

- This report provides Members of Investment Committee (IC) details of key performance indicators in the 2nd half of the year (October 2023 to March 2024) against the 2023-28 Business Plan. A similar report is presented to Members of Resource Allocation Sub Committee (RASC, CS 159/24).
- 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. At the end of the reporting year, out of nine of the departmental key performance indicators (KPIs) relevant to this Committee, four achieved their respective targets (green), three were marginally behind (amber), one indicator did not achieve target (red), with the RAG status of the final KPI to be confirmed.
- The amber/red indicators were as follows:
 - KPI. 5 – Adherence to budgetary spend profiles (Red)
 - KPI. 6 – Capital Projects – project risk status (Amber)
 - KPI. 3 – Delivery of Climate Action Strategy Milestones – Investment Property (Amber)
 - KPI. 8 – Site sustainability waste management (Amber)
- 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 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 twice-yearly report on the progress made during the second half of 2023-24 (October to March) against the 2023-28 Business Plan.

Current Position

2. This report provides the latest budget information which is set out in Appendix A. Note that this financial statement, and the commentary below, relates to all of the City Surveyor's services, not specifically those related to Investment Committee. Appendix B provides a detailed table of the department's Key Performance Indicators (KPIs). And an update on Climate Action Strategy is included as Appendix C.
3. A separate monitoring report on the risks within the department is also circulated for this meeting.

Financial Statement

4. 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.
5. The City Surveyor's City Bridge Foundation (CBF) services were £609,000 underspent, largely due to savings on the cyclical works programme resulting from cancelled or deferred projects and an underspend on professional fees. If CBF services were taken into consideration, the City Surveyor's overall overspend position reduces to £691k (2%) against a total budget of £33.8m.
6. 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 for the security and function teams and £151k of residual Fundamental Review savings that were not achieved.
7. In relation to the Guildhall complex overspend, £180k relates to costs associated with Guildhall events. As the Guildhall trading account is not yet operational with the additional event income, which would otherwise offset this cost, currently shown under the Remembrancer's local risk budget. Adjusting for this figure, the overall overspend reduces to £511k (1.5%) against a total budget of £33.8m.
8. Additionally, there was an overspend on one-off reactive repairs and maintenance work at Smithfield Market. Furthermore, the savings target at this location was not achieved following the closure of the Poultry Market.
9. 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.
10. 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. 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

11. The table below provides an ‘at a glance’ assessment of the department’s performance for the City Surveyor’s KPIs at the end of the 2023/24 reporting year.

Status	Green	Amber	Red	TBC
Investment Committee	4	3	1	1
Overall (including non-IC measures)	5	4	2	1

Of the nine departmental measures reported to this Committee, four measures achieved their target (green), three were marginally behind (amber), one did not meet the target set at the beginning of the year (red). The RAG status of the final measure is to be confirmed.

12. The red and amber KPIs relevant to IC are as follows.

A. KPI. 5 – 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. 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 the agreed tolerance.

B. 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 were 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. KPI. 3 – 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.

Performance - off target (Amber)

At the end of the reporting year, there has been delays in developing Green Lease clauses and Memorandum of Understanding's (MOUs) due to difficulty in securing the specialist legal advice needed. We now expect it will be quarter 3 2024/25 before green leases will start to be used for new leases, followed by Asset Managers requesting existing tenants with leases signing MOUs. Full details are contained in Appendix C.

- C. 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.

13. One measure, KPI. 10 – Minimise Arrears – has a RAG assessment that is to be confirmed. The reported figure (3.46% against a target of 1.5%) includes arrears for which there is a payment plan in place. These values are usually excluded from the rent arrears calculation. Due to the changeover in monitoring systems, it has not been possible to separate out arrears for where there is a payment plan in place. Applying the quarter 2 exclusions to the total arrears figure of £4.72m would reduce the rate to 1.38%, achieving target. Due to this calculation issue we have not ascribed a RAG status to the measure.

More detailed reporting will be available once the new system has been in place for a full billing year, the issue only having arisen due to the transition between systems.

Key Achievements

14. At the end of the reporting year, it is useful to reflect on the contributions of the department to the overall success of the City Corporation. Below are a small sample of the achievements delivered by colleagues across the department, noting that some of these contribute to work outside of the IC.
- 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.
 - 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.
 - 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.

Corporate & Strategic Implications

16. The City Surveyor's Department aims to support the outcomes in the Corporate Plan.
- The department has a key role in delivering the vision for the City – through the delivery of major construction projects (Markets Co-location Programme, Sailsbury 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.
17. 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

Under the Financial Regulations, overspends 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.

Resource implications

18. The department has worked hard to identify several 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 resource will be required.

Legal implications

19. None

Risk implications

20. Key risks managed by the department are included in this Risk Update Report that is also reported to this Committee.

Equalities implications

21. None.

Climate implications

22. The department supports the delivery of the Climate Action Strategy targets (achieving EPC C by 2027 and EPC B by 2030 and Carbon Net Zero by 2040) related to our financial and property investments.

Security implications

23. None

Conclusion

24. 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 City Corporation's financial sustainability.

Appendices

- Appendix A Budget Monitoring Statement
- Appendix B Key Performance Indicator Table
- Appendix C Climate Action Strategy – Investment Property

Background Papers

- The City Surveyor The City Surveyor's Business Plan 2023-28 (CS 372/22)
- The City Surveyor Business Plan Progress Report 2023/24 Update (CS 341/23)

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