

City of London Corporation Committee Report

Committee(s)	Dated:
Investment Committee – For information	2 December 2024
Subject: City Surveyor’s Business Plan 2024-29 - Quarter 2 2024/25 Update	Public report: For information
This proposal: - Delivers Corporate Plan 2024-29 outcomes	Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of:	The City Surveyor (CS.291/24)
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Summary

This report provides Members of Investment Committee (IC) details of key performance indicators in the 1st half of the year (April 2024 to September 2024) against the 2024-29 Business Plan. A similar report will be presented to Members of Resource Allocation Sub Committee (CS.293/24).

In the 2024/25 period, the department will evaluate its business plan's progress through seventeen key performance indicators (KPIs), with fourteen of these being monitored by this Committee. Among these indicators, six have achieved their targets (green), two are below target (amber), and two are classified as underperforming (red). At the time of the writing this report, the performance rating for one measure is pending confirmation, and three additional measures will be presented to this Committee later in the year.

The City Surveyor’s 2024/25 quarter 2 budget outturn (Appendix A) reveals that the department is forecasting an overspend of £970k (3.2%) against a total budget of £30.1m for City Fund and City’s Estate services. When City Bridge Foundation (CBF) services are included, this decreases to an overspend of £735k (2.2%) against a total budget for the year of £33.7m.

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 first half of 2024-25 (April to September) against the 2024-29 Business Plan.
2. The department's business plan outlines seventeen Key Performance Indicators (KPIs). Investment Committee (IC) oversee the progress against fourteen of these measures, whilst Resource and Allocations Sub Committee (RASC) oversee twelve and Markets Board oversee two.
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 monitoring statement which is set out in Appendix A. The full list of KPIs, and their current performance is noted in Appendix B.
5. A separate monitoring report on the risks within the department is also circulated for this meeting.

Key Data

Financial Statement

6. The budget monitoring statement for quarter 2 (Appendix A) shows that the City Surveyor is forecasting an overspend of £970k (3.2%) against a total budget for the year of £30.1m for his City Fund and City's Estate services. When City Bridge Foundation (CBF) services are included, this decreases to an overspend of £735k (2.2%) against a total budget for the year of £33.7m.
7. The main reasons for this forecast are some residual Target Operating Model (TOM) savings yet to be realised, overspends on the departmental and Guildhall salary budgets due to the assumed vacancy factor not being met, and budget pressures on Smithfield Market because of the closure of the Poultry Market. These overspends are partially offset by savings on the corporate facilities management contract arising from rebate payments received, and improved commercial income performance at the Central Criminal Court. The City Surveyor continues to examine his budgets to see if further savings can be made to reduce the forecast year-end overspend.
8. On a more positive note, rental income which is shown under central risk, reflects an overall surplus of £1.3m compared to the original budget for City's Estate and City Fund Estate. This is primarily attributed to City's Estate where the main reason for the higher forecast income is due to tenants not exercising their break clause option across a few properties, and new leases starting earlier than anticipated.

Quarter 2 2024/25 update

9. The table below provides an 'at a glance' assessment of the department's performance through the first half of the 2024/25 reporting year.

Status ¹	Green	Amber	Red	TBC	N/A
Investment Committee	6	2	2	1	3
Overall (including non-IC measures)	8	2	2	2	3

Of the fourteen measures presented to this Committee, six are on track (green), two are behind schedule (amber), and two are significantly behind target (red). At the time of this report's preparation, one KPI remains outstanding which will be reported at quarter 3. Additionally, three more measures will be evaluated and reported to this Committee later in the year.

10. The red and amber KPI's relevant to this committee are set out below.

a. **KPI.4 Minimise Arrears**

The objective of this KPI is to recover money quickly and efficiently ensuring total arrears are no more than 2% of the total income invoiced by end of 2024/25.

The arrears position as of 28 September 2024 is £8,002,471 which is 4.8% of the total annual billing (£166,369,776) (Red).

This figure excludes cases of historical credits where payment plans are in place (c£800k of debt). However, the total arrears figure includes debts actively pursued, which are disproportionately impacting the total. The rise in arrears this quarter may partly stem from technical problems resulting in delays in generating and sending June invoices and reminders, which have now been addressed.

To improve performance the Department continues to finalise additional payment plans and similar arrangements with tenants, and review cases for expeditious referral to the Comptroller & City Solicitor's (C&CS) Department. Now that Horizon is operational both Chamberlain's, C&CS and the Department will review the Corporation's rent collection processes and procedures. It is expected that the target will be met at the end of the financial year.

b. **KP1.12 – 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 – 80%

Performance – 67% (Red)

CBRE's performance in innovation, continuous improvement, and environmental and social initiatives has lagged this quarter which has negatively impacted the overall assessment of our suppliers' performance. The Department remains

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

committed to rigorous contract performance monitoring across all lots and ensures contractors pay service credits when services fail to meet contractual standards.

It should be recognised that the Integrated Facilities Management (IFM) contracts have now been in place 18 months against a 5+5-year contract term, and performance is satisfactory for this stage in the tenure.

c. KPI.16 – Markets – Each Market’s outstanding debt as a percentage of their total invoice income (excluding 0-30 days invoices)

This indicator assesses the level of debt at Billingsgate, Smithfield and New Spitalfields Markets and includes Covid arrears.

Target – Less than 1.5%

Performance – 5% (Amber)

The Amber rating is a direct result of a single debtor at Billingsgate who is responsible for a significant proportion of this debt. If this debt was excluded, the total arrears from various smaller debtors would decrease to 1.88%. Furthermore, at New Spitalfields, there is an active Covid debt repayment plan, which is on track to be settled by October 2025. The remaining amount of £240k comprises of multiple smaller, less aged debt and is being pursued.

The department follows rigorous credit control processes, using appropriate escalation channels in collaboration with Chamberlain’s and Comptroller and City Solicitor’s Departments to ensure the payment of arrears.

d KPI.7 – 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 – 37% (Amber)

It has been noted in prior communications to this Committee that more than 60% of the department's active projects commenced in 2020 or earlier, suggesting that their progress has been significantly impacted by COVID-19. These projects experienced extended periods of reduced site capacity and productivity, along with notable inflation in construction costs. As a result, a greater number of projects have exceeded their expected timelines and budgets. Although the execution of current projects continues to be robust, the backlog of older projects has adversely affected overall performance.

Corporate & Strategic Implications

Strategic implications

11. The City Surveyor’s Department is dedicated to advancing the objectives outlined in the Corporate Plan.
12. This department plays a crucial role in realising the City’s vision by executing major construction initiatives, such as Salisbury Square, London Museum, and Barbican

Renewal, while also preserving our heritage estate for the benefit of all Londoners and generating substantial revenue from both investment and operational property portfolios, which underpins all our activities.

13. The department actively collaborates with corporate leaders to ensure the effective implementation of our strategic priorities, particularly in relation to Destination City, the Climate Action Strategy, and the City's Corporate Property Asset Management Strategy for 2020-2025.

Financial implications

14. Financial information is contained in Appendix A and noted in the report.

Resource implications

15. The department is diligently exploring various strategies to address the primary challenges it faces. It has identified potential avenues to improve revenue and capital inflows for the organisation and has developed business cases to progress these.

Legal implications

16. None

Risk implications

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

Equalities implications

18. None.

Climate implications

19. 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

20. None

Conclusion

21. Overall, the department has made steady progress on the key deliverables outlined in the Business Plan during the second quarter.
22. Whilst two measures were classified as underperforming, the relevant teams are working diligently to ensure performance returns to expectations. Whilst the department's local risk budget position is challenging, 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

Background Papers

- The City Surveyor The City Surveyor's Business Plan 2024-29

Departmental Performance & Services
City Surveyor's Department