

# City of London Corporation Committee Report

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| <b>Committee(s)</b>   | <b>Dated:</b>   |
| Resource Allocation Sub (Policy and Resources) Committee – For information          | 11 December 2024  |
| <b>Subject:</b> City Surveyor’s Business Plan 2024-29 - Quarter 2 of 2024/25 Update | <b>Public report:</b><br>For information  |
| <b>This proposal:<br/>Delivers Corporate Plan 2024-29 outcomes</b>                  | Providing Excellent Services, Leading Sustainable Environment, Flourishing Public Spaces, Dynamic Economic Growth |
| <b>Does this proposal require extra revenue and/or capital spending?</b>            | No  |
| <b>If so, how much?</b>   | N/A   |
| <b>What is the source of Funding?</b>   | N/A   |
| <b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>       | N/A   |
| <b>Report of:</b>   | The City Surveyor and Executive Director of Property (CS 293/24)  |
| <b>Report author:</b>   | John Galvin/Anna Flashman/Faith Bowman<br>City Surveyor’s Department  |

## Summary

- This report provides Members of Resource Allocation Sub (Policy and Resources) Committee (RASC) with details of progress in quarter 2 2024/25 (July to September) against the City Surveyor’s 2024-29 Business Plan. A comparable report is also submitted to the Members of the Investment Committee (IC, CS 291/24).
- RASC oversees twelve key performance measures from the City Surveyor’s Department (CSD). Among these, six are currently achieving their targets (green), two (KPI.7 Capital Projects - Project Risk Status and KPI.16 Markets - Each Markets outstanding debt as a percentage of their total invoice income) are falling short of their targets (amber), and one (KP1.12 Property Contract Performance Compliance) is categorised as underperforming (red). Additionally, two measures were still awaiting confirmation at the time of this report's preparation and will be reported in quarter 3. Additionally, one measure will be evaluated and reported 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.

## 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 2024-29 Business Plan. The City Surveyor's Department (CSD) reports performance quarterly to Resource Allocation Sub (Policy and Resources) Committee (RASC).
2. The department's business plan outlines seventeen Key Performance Indicators (KPIs). RASC oversee the progress against twelve of these measures, whilst Investment Committee (IC) oversee fourteen 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.

### **Financial Statement**

6. The budget monitoring statement for quarter 2 (Appendix A) shows that the City Surveyor is currently 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 savings yet to be realised, overspends on the departmental and Guildhall salary budgets due to the assumed vacancy factor not being met and resourcing pressures, 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. Further, the City Surveyor expends his professional resources supporting other Chief Officers with various property transactions which result in increased income for their budgets and the Corporation. The City Surveyor continues to examine his budgets to see if further savings and income can be made to reduce the forecast year-end overspend.
8. On a more positive note, investment 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 estates. 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 second quarter of the 2024/25 reporting year.

| Status <sup>1</sup>                   | Green | Amber | Red | TBC | N/A |
|---------------------------------------|-------|-------|-----|-----|-----|
| Resource Allocation Sub Committee     | 6     | 2     | 1   | 2   | 1   |
| Overall (including non-RASC measures) | 8     | 2     | 2   | 2   | 3   |

Of the twelve measures presented to this Committee, six achieved their targets (green), two (KPI.7 Capital Projects – Project Risk Status and KPI.16 Markets - Each Markets outstanding debt as a percentage of their total invoice income) are falling short of their targets (amber), and one (KPI.12 Property Contract Performance Compliance) is categorised as underperforming (red). Additionally, two measures were still awaiting confirmation at the time of this report's preparation and will be reported in quarter 3. Additionally, one measure will be evaluated and reported to this Committee later in the year.

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

### A. **KP1.12 – Property Contract Performance Compliance**

This indicator provides an overall assessment of our Facilities Management 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)

One of our FM supplier's (CBRE) 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 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.

### B. **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)

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

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 resolved 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.

### **C. KPI.7 – Capital Projects – Project Risk Status**

This indicator assesses the proportion of projects (excluding minor 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.

### **Quarter 1 2024/25 update**

11. The following measure is reported in arrears and therefore, this data was not available at the at the time of preparation of the quarter 1 report.

### **A. KPI.10 Delivery of Climate Action Strategy (CAS) Milestones - operational estate**

This indicator shows progress towards the Climate Action Strategy targets of the operational estate set by the CAS team.

Target - less than 5%

Q1 Performance - 10.24% (Red)

Energy consumption and the associated carbon emissions have continued to decrease across the operational estate. However, this reduction does not meet the target mainly because energy carbon factors have not decreased as predicted. The rate at which the carbon factors decrease is beyond the control of the City of London Corporation due to limitations on the national grid infrastructure limiting renewable generation, combining with government policy and regulation limiting market growth in the short term. The ultimate objective is to ensure that the City Corporation is carbon net zero by 2027. The energy team is working closely with Chief Officers and operational sites to reduce energy consumption as much as possible, with the expectation of meeting this target by year-end.

## **Corporate & Strategic Implications**

### **Strategic implications**

12. The City Surveyor's Department is dedicated to advancing the objectives outlined in the Corporate Plan through effective and efficient proactive management of the City's investment and operational properties.
13. This department plays a crucial role in realising the City's vision by executing major programme initiatives, such as Salisbury Square, the London Museum at Smithfield and Barbican Renewal, while also preserving our heritage assets for the benefit of all Londoners and generating substantial revenue from both investment and operational property portfolios, which underpins all of the City's service activities.
14. 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**

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

### **Resource implications**

16. The department is actively working to identify several strategies to mitigate the core challenges it encounters. It has acknowledged possible pathways for enhancing revenue and capital inflows for the organisation and has developed business cases to progress these.

### **Legal implications**

17. None

### **Risk implications**

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

### **Equalities implications**

19. None.

### **Climate implications**

20. The department facilitates the implementation of the Climate Action Strategy by executing both minor and major projects. This capability has been strengthened by securing funding for the Cyclical Works Programme for those property assets within this programme.

## Security implications

21. None

## Conclusion

22. Overall, the department has made good progress on the key deliverables outlined in the Business Plan during the second quarter.

23. Whilst one measure was classified as underperforming in quarter 2, the relevant team is 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 which benefit the Corporation overall beyond the City Surveyor's local and central risk budgets.

## 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
- The City Surveyor      City Surveyor's Business Plan 2024-29 - Quarter 1 2024/25 Update (CS 225/24)

Departmental Performance & Services  
City Surveyor's Department