

Committee(s) CASC – For decision	Date: 05/09/18
Subject: Sustainable Buildings Strategy	Non-Public
Report of: The City Surveyor	For Decision
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<h1>NOT FOR PUBLICATION</h1> <p>By virtue of paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972</p>	

Summary

This paper outlines proposed steps to understand, measure and optimise sustainable building performance across the City of London Corporate portfolio with specific regard to:

- Understanding cost, compliance, reputational risks and opportunities relating to the corporate estate associated with sustainability performance.
- Understanding the City’s present performance and peer context in respect of sustainable building certification such as BREEAM and SKA.
- Identifying a strategy with actions to deliver commercially sound, environmentally sustainable performance.

Recommendation

Members are asked to:

Approve funding of £55k supplementary budget from RASC or Transformation fund bid to commission a specialist consultant to undertake an analysis and create a draft sustainable buildings strategy report for the Corporate estate.

Main Report

Background

1. The sustainability agenda has been growing in the UK commercial property market for some years in terms of both compliance requirements and voluntary reporting. This is manifesting through the maturing of environmental legislation such as the EU Energy Performance of Buildings Directive and Minimum

Energy Efficiency Standards (MEES) which now represent an embodied element of commercial property management. In addition, industry bodies such as the British Property Federation, Better Buildings Partnership and the UK Green Buildings Council are defining best practice and market expectation in this area in terms of both landlord and occupier groups. Given the context of recent acceleration of energy prices and the adoption of the City's new Responsible Business Strategy it may also be a timely opportunity to review cost saving opportunities and long-term alignment with the City's policies.

2. Following a meeting of the City Surveyors Department, it was agreed that given the evolution of the sustainable buildings market and changes in tenant expectation more broadly, that it was a timely opportunity to review the sustainability strategy for the City Corporation's investment portfolio.

Options

3. To provide a commercial view on present performance, risks, opportunities and a recommended strategy we have considered two delivery routes.

1. **Obtain additional consultancy support (Recommended):** Draw on the expert resources of a sustainability consultant to bring their independent market view

Advantages: Specialist expertise, rapid mobilisation, market knowledge

Disadvantages: Cost of fees

2. **Deliver in-house:** While the City has sustainability professionals within the energy team, procurement and built environment, spare capacity of these resources is very limited, as is the current expert knowledge available to deliver this specialist strategy.

Advantages: No additional cost

Disadvantages: Insufficient resource to deliver

4. We recommend this Committee approves Option 1 - Consultancy support to ensure a rapid mobilisation and draw on wider market experience. An outline scope is given below.

Proposals

This paper proposes the commission of a specialist sustainability consultant to identify a strategy for measuring and optimising environmental performance in a commercial property context, specifically:

Propose an investigation that addresses the issues below:

Phase 1 – Identification and positioning

- Meet and engage with main stakeholders and understand estate profile, existing progress, constraints and a development strategy.

- Undertake a high-level review of the City's Corporation portfolio to establish where material risk and opportunity lies, e.g. occupation / tenancy type / refit / lease renewal.
- From this identify a peer group and industry comparator for the City to allow a fair comparison of sustainability performance against policy position and appropriate industry metrics.

Phase 2 – Strategy

- Undertake a market review to include compliance issues such as Minimum Energy Efficiency Standards (MEES), revised planning requirements and tenant expectation and the potential impacts this will have for the City .
- Identify appropriate standards – BREEAM, SKA, LEED, Green Lease etc with relevant performance levels for the City to use as a performance standard (some of these standards already exist within some departments)
- Identify principal requirement for standardised procedural and technical specifications to support the delivery of these standards, e.g. cooling, lighting, control.
- Provide an indication of any potential implications for capital, revenue, yield and external officer resource with a simple mobilisation plan.

Output: A paper identifying principal risks and opportunities with an action plan

Corporate & Strategic Implications

5. This review would support the work currently being undertaken across the City to significantly strengthen our commitment to sustainability. Building on existing strategies designed to minimise the City's environmental impact, such as the Responsible Procurement Strategy and the most recent Renewable Electricity Policy and Sourcing Strategy. It would also compliment the new Responsible Business Strategy 2018-23: Towards a Sustainable Future and emerging Climate Action Strategy which is being developed by the City of London Corporation on behalf of all businesses in the Square Mile. The review would also supports the aims of the Corporate Property Asset Management Strategy 2017/18, but should be regarded as a discrete piece of work.

Implications

This work will identify the City's recommended strategy to sustainable building development across the corporate portfolio. Following an engagement exercise and analysis, a paper will be produced outlining approach and priority actions required. We anticipate the delivery of a draft report within 16 weeks of funding approval following a mini-tender exercise. The outcome of this will support alignment to the goals of the Responsible Business Strategy and identify supporting benefits.

6. Sustainable specifications identified in phase 2 would have the potential to provide:
 - Reduce operating costs (energy, waste water)

- Improve life cycle costs (maintenance, disposal replacement)
 - Improve working environments (productivity, attendance)
 - Reduce stranded asset risk, (resulting from non-compliance with MEEs legislation)
7. The sustainability expert would require broad property market experience to provide context, peer positioning and a strategy to allow the City to protect its reputation and commercial interests in relation to sustainability. Estimated costs reflect this level of necessary expertise and are estimated as follows:

Phase 1. Identification and positioning; - £15k

Phase 2. Strategy: - £40k

Conclusion

8. We propose to review the City's peer position on sustainability in respect of the Corporate estate. The output, if required, will identify an action plan to deliver the practical implementation of an ongoing commercially practicable model for sustainable buildings. This will identify future cost and reputational risks and provide the basis for a mitigation plan, not doing so would potentially expose the City to an unknown risk profile.

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