

Committee(s)	Dated:
Corporate Asset Sub-Committee – For Decision Finance Committee – For Decision	18 th November 2020 8 th December 2020
Subject: Corporate Property Asset Management Strategy 2020-25	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	No
Report author: Paul Friend, City Surveyor's Department	

Summary

Members of this committee considered the scope, context and key issues influencing the review of the Corporate Property Asset Management Strategy at committee in July and again at an informal briefing in September this year. Officers have taken on board the views expressed by members and considered further the objectives of the new strategy.

This report now seeks approval for the Corporate Property Asset Management Strategy 2020-25. Briefly, the new strategy outlines the overriding objectives for managing the operational estate (excluding Housing) and provides the platform for decisions on all operational property assets to be guided by the objectives within. Whilst significant new developments such as the Climate Action Strategy and changes in working practices due to the Covid pandemic have a material influence on the new strategy, the recommendations also seek to build on the earlier strategy and reflect the growing maturity of asset management across the operational estate, as supported by the outcomes from the Asset Management Service Based Review and developments in best practice within public sector asset management.

Subject to member approval, the new strategy will be adopted across the operational estate (excluding Housing) and will help shape the management of and investment into the operational estate for the next 5 years.

Recommendation(s)

Members are asked to approve the revised Corporate Property Asset Management Strategy.

Main Report

Background

- 1) The existing Corporate Property Asset Management Strategy (CPAMS) was approved in May 2017. The core purpose of the document is to provide a member approved strategy, outlining the common objectives shared across all the operational property estate, which in turn supports the Corporate Plan. By way of clarification this strategy solely relates to the operational portfolio overseen by this committee; it is separate from any property asset strategy held on the investment portfolio, albeit they may be commonality for example in the management of third-party interests.
- 2) The scope of CPAMS cover all the operational property portfolio, excluding Housing (whose strategy is contained within the Dept of Community and Children's Services Business Plan). It therefore includes all operational assets such as for example private schools, the Barbican Centre, Guildhall, Markets, DBE, Courts, Mansion House, Car Parks, City of London Police, Open Spaces, Schools, Bridges and Private structures. It also covers the City's Heritage Estate portfolio which consists of a varied range of over 800 assets, including buildings, statues, post boxes etc.
- 3) The scope also covers the third party portfolio where we lease out or licence operational premises to third parties. This third party portfolio is income producing (circa £11.9 million per annum excluding service charges) but is not held specifically for investment purposes; the strategy for these assets is tailored towards the operational portfolio, albeit the commonality is a commercial management approach. Specifically, the intention is wherever possible landlord obligations should support this strategy e.g. the Climate Action Strategy
- 4) The review of the CPAMS was led by the Corporate Property Group of the City Surveyors department seeking input from officers and members to consider developments in asset management across the operational estate since the last review. Whilst many recommendations from the existing strategy remain relevant, there are new influences including the Climate Action Strategy, changes to working practices post Covid 19 and the maturing of asset management across the operational estate, for example the outcomes of the Asset Management Service Based Review.

New Strategy

- 5) The new Corporate Property Asset Management Strategy 2020-25 is attached as Appendix 1. Discussion between members on the inclusion of the following objectives was held at this committee in July and September (see Appendix 2 - Corporate Property Asset Management Strategy Review presentation to CAsC September 2020). In addition, officers have been extensively consulted and the key objectives contained within are as follows: -

Efficiency

- a) Seek to rationalise the operational estate through better utilisation to ensure a more efficient, effective and sustainable asset base

- b) Ensure capital and revenue investment into the operational estate is 'relevant and needed' to achieve Corporate Plan objectives.
- c) Develop the current risk based approach to maintenance and renewal (subject to available budget)
- d) Ensure capital and revenue projects are affordable, sustainable, prudent and directed to corporate priorities
- e) Ensure annual revenue expenditure is efficiently managed to deliver value for money and reduce operational asset running costs
- f) Ensure future capital investment in the operational estate is aligned with 'invest to save' outcomes, full life cycle and both financial and non-financial assessment

Effectiveness

- g) Ensure operational assets are maintained to a good, safe and statutory compliant condition
- h) Maximise third party income for leased out property, including targeting effective support for businesses impacted by Covid-19
- i) Develop and mature the management of the portfolio by embedding the Asset Management (Service Based Review) recommendations
- j) Incorporate 'smart building technology', modern working practices post Covid-19 and improve connectivity for occupiers within the portfolio
- k) Create added value through the property Asset Management Plan process
- l) Ensure operational assets are relevant, fit for purpose and meet service delivery needs through a comprehensive Asset Challenge Process
- m) Ensure asset management activity is aligned with Service Committee's business plans through the Asset Management Plan process to deliver asset related corporate and business objective

Sustainability

- n) Support the proposed Climate Action Strategy (now approved see paragraph 9 below); including the achievement of net zero carbon emissions, to build resilience and to champion sustainable growth
- o) Achieve 40% energy savings by 2025/26
- p) Optimise the sustainability performance of the existing property portfolio (subject to available budget)
- q) Target BREEAM of excellent on all new buildings
- r) Maintain Heritage assets through investment and prevent their inclusion on the Heritage at Risk Register wherever possible (subject to available budget)

- s) Ensure where Heritage assets are not in the sole ownership of the City to drive the collective responsibility to maintain and prevent their inclusion on the Heritage at Risk Register

Next steps

- 6) Subject to approval, the new strategy will be adopted across the operational estate (excluding Housing) and will help shape the management of and investment in operational estate for the next 5 years
- 7) Implications arising from the ongoing Fundamental Review, the Governance Review and the impact of Covid-19 may dictate an earlier review of the strategy is appropriate before 2025. Officers will therefore undertake an informal review on an annual basis and advise members if amendments or additions are necessary within the proposed life of the strategy.

Corporate & Strategic Implications

- 8) The revised CPAMS will continue to align with the aims of the Corporate Plan 2018-23 (subject to further review) and associated outcomes: -
 - i) Contribute to a flourishing society
 - ii) Shape outstanding environments
 - iii) Support a thriving economy

Climate Action Strategy

- 9) Member at Policy and Resources committee have now approved the Climate Action Strategy. The objectives and wider implications of this strategy have been fully represented in previous committee authorities. However, it should be noted that this will have a fundamental impact on the operational estate. Specific implications for the Corporate Property Asset Management Strategy 2020-25 include: -

a) In support of actions to achieve net zero: -

- i) Transform the energy efficiency of our operational buildings through the adoption of best available technologies
- ii) Maximise the use of renewable energy sources across our operational buildings
- iii) Introduce new land management practices across our open spaces aiming to maximise their ability to remove carbon, and optimise their biodiversity and resilience value
- iv) Embed circular economy principles into our capital projects and reduce carbon intensity by using life cycle carbon and cost assessment techniques and design specifications

- v) Accelerate the move to net zero carbon and energy efficient tenanted buildings, working closely with tenants to achieve shared goals

b) In support of actions to build climate resilience: -

- i) Embed resilience measures into our upgrade plans for our owned and operated buildings

c) In support of actions to champion sustainable growth

- i) Influence and support the delivery of technical solutions to increase comparability of data and ease of reporting
- ii) Share learning and best practice (within our third party portfolio) about the challenges and opportunities of our net zero journey
- iii) Enhance greening and biodiversity across our public realm and open spaces

Conclusion

10) This report outlines the revised Corporate Property Asset Management Strategy 2020-25. Following a 'corporation wide' member and officer challenge process, the final recommendations are now submitted to this committee for approval. Implications arising from the ongoing Fundamental Review, Governance Review and lessons post Covid-19 will be incorporated as and when appropriate.

Appendices

- Appendix 1 – Corporate Property Asset Management Strategy 2020-25
- Appendix 2 - Corporate Property Asset Management Strategy Review presentation to CAsC September 2020

Paul Friend

Head of Corporate Asset Management, City Surveyor's Department

T: 020 7332 1497

E: paul.friend@cityoflondon.gov.uk