Public Document Pack



Property Investment Board

- Date: WEDNESDAY, 12 SEPTEMBER 2018
- Time: 8.30 am

Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Deputy Tom Sleigh (Chairman) Deputy Alastair Moss (Deputy Chairman) Chris Boden Sir Mark Boleat Alderman Alison Gowman Christopher Hayward Michael Hudson Andrien Meyers Dhruv Patel OBE Deputy Philip Woodhouse Stuart Corbyn (Co-opted) Tony Joyce (Co-opted) David Shaw OBE (Co-opted) David Brooks Wilson (Co-opted)

Enquiries: John Cater john.cater@cityoflondon.gov.uk

Breakfast will be served from 8.00am

John Barradell Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. APOLOGIES FOR ABSENCE

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

MINUTES To approve the public minutes of the Property Investment Board meeting held on 18th July 2018.

For Decision (Pages 1 - 6)

4. **CSD RISK REPORT - 1ST QUARTER PROGRESS** Report of the City Surveyor.

> For Information (Pages 7 - 22)

5. **REQUEST FOR FUNDS TO APPOINT EXTERNAL CONSULTANT FOR AN ENVIRONMENTAL STRATEGY** Report of the City Surveyor.

To Follow

For Decision

6. **REVIEW OF HOUSING GOVERNANCE** Report of the Town Clerk.

To Follow.

For Decision

7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

9. EXCLUSION OF THE PUBLIC

MOTION – That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

10. **NON-PUBLIC MINUTES** To approve the non-public minutes of the Property Investment Board meeting held on 18th July.

For Decision

(Pages 23 - 28)

ALL ESTATES

11. **RENT REVIEWS/LEASE RENEWALS REPORT ON JUNE QUARTER DAY** Report of the City Surveyor.

> For Information (Pages 29 - 34)

12. **CITY'S RENTAL ESTIMATES MONITORING REPORT** Report of the City Surveyor.

> For Information (Pages 35 - 44)

13. **BUSINESS PLAN - QUARTER 1 - PROGRESS REPORT** Report of the City Surveyor.

> For Information (Pages 45 - 56)

14. **REPORT OF ACTION TAKEN UNDER DELEGATED AUTHORITY** Report of the Town Clerk.

> For Information (Pages 57 - 64)

CITY'S ESTATE

15. **CITY'S ESTATE: GATEWAY 3/4 REPORT - 29A BROOK STREET** Report of the City Surveyor.

> For Decision (Pages 65 - 86)

16. **CITY'S ESTATE: GATEWAY 3/4 - 6-8 EASTCHEAP - LANDLORD WORKS** Report of the City Surveyor.

> For Decision (Pages 87 - 120)

CITY FUND ESTATE

17. **CITY FUND: 21-26 GARLICK HILL - OVERRIDING LEASE** Report of the City Surveyor.

> For Decision (Pages 121 - 130)

18. **CITY FUND: LEADENHALL MARKET - ROOF WORKS, GATEWAY 1 - 4** Report of the City Surveyor.

> For Decision (Pages 131 - 152)

19. **CITY FUND: 280 BISHOPSGATE - RENT REVIEW** Report of the City Surveyor.

> For Decision (Pages 153 - 158)

20. **CITY FUND: 1 LEADENHALL STREET – GRANT OF NEW GROUND LEASE** Report of the City Surveyor.

To Follow

For Decision

21. STRATEGIC ESTATE (CITY FUND) 1ST FLOOR, 4 TABERNACLE STREET -LETTING Report of the City Surveyor.

For Decision

(Pages 159 - 166)

22. STRATEGIC PROPERTY ESTATE (CITY FUND): 4TH FLOOR, GRANT OF NEW LEASE AT 4/14 TABERNACLE STREET Report of the City Surveyor.

> For Decision (Pages 167 - 174)

BRIDGE HOUSE ESTATES

23. BRIDGE HOUSE ESTATES: CROSSRAIL SUBSOIL ACQUISITIONS Report of the City Surveyor.

> For Decision (Pages 175 - 178)

24. BRIDGE HOUSE ESTATES: COLECHURCH HOUSE: UPDATE ON SALE AGREEMENT

Report of the City Surveyor.

To Follow

For Decision

- 25. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD
- 26. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE BOARD AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

Agenda Item 3

PROPERTY INVESTMENT BOARD

Wednesday, 18 July 2018

Minutes of the meeting of the Property Investment Board held at Guildhall, EC2 on Wednesday, 18 July 2018 at 8.30 am

Present

Members:

Deputy Tom Sleigh (Chairman) Deputy Alastair Moss (Deputy Chairman) Chris Boden Sir Mark Boleat Alderman Alison Gowman Christopher Hayward Andrien Meyers Deputy Philip Woodhouse Stuart Corbyn Tony Joyce David Shaw OBE

Officers:

| • … • • • • • | | |
|----------------------|---|---|
| John James | - | Chamberlain's Department |
| Alan Bennetts | - | Comptroller & City Solicitor's Department |
| Ola Obadara | - | City Surveyor's Department |
| Nicholas Gill | - | City Surveyor's Department |
| Andrew Cross | - | City Surveyor's Department |
| Tom Leathart | - | City Surveyor's Department |
| Neil Robbie | - | City Surveyor's Department |
| John Cater | - | Town Clerk's Department |
| Philip Everett | - | Town Clerk's Department |
| James Giffard-Taylor | - | City Surveyor's Department |
| Sarah Trillwood | - | City Surveyor's Department |
| | | |

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Michael Hudson, Dhruv Patel OBE and David Brooks Wilson.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA Alderman Gowman declared a non-necuniary interest in ITEM 13 as a

Alderman Gowman declared a non-pecuniary interest in ITEM 13 as a Governor of the Museum of London.

Christopher Hayward took no part in the discussions in ITEM 10 because of the potential non-pecuniary conflict he has as Chairman of the Planning & Transportation Committee - which would be considering a new planning

application for 1 Leadenhall. Alastair Moss confirmed he would not be voting on the application as a Member of the Planning & Transportation Committee but would be considering the new lease terms as a Member of PIB.

3. MINUTES

Alderman Gowman stated she remained concerned about traffic damage to Tower Bridge. The City Surveyor agreed to look into governance issues and raise with the Department of Built Environment.

RESOLVED – That the public minutes of the meeting held on 13 June 2018 be approved.

4. ECONOMIC AND PROPERTY MARKET PRESENTATION BY KEVIN MCCAULEY CBRE

Kevin McCauley, Executive Director, Head of London Research at CBRE delivered a presentation on the London office market.

Members posed several questions to Mr McCauley:

What was the outlook for rent free periods?

Rent Free periods were increasing, it was not uncommon to see 10-year leases including a 21-24 month rent free period.

What are the medium-term challenges?

- Keeping up with demand in light of a decrease in available debt finance, availability of viable locations in Central London and more stringent environment for approvals of planning consent
- Infrastructure being developed by competitors (particularly around transport and housing), the key competitors were Dublin, Amsterdam and Frankfurt
- Brexit specifically, the impact of services being outside the future EU-UK trade agreement, currently CBRE were seeing a slow drip feed of international corporations relocating some staff or choosing not to expand in London as Brexit headwinds were increasing up to March 2019. Interestingly, Fintech was continuing to grow in London. Canary Wharf was at the sharp end of any retrenchment by traditional Financial Services firms in the UK

Will the City's employer demographic change?

Too early to say in terms of big trends, all companies are looking at more flexibility of office space

Members and officers thanked Mr McCauley for his excellent presentation.

5. MIPIM PROPERTY CONFERENCE 2018/2019

Members considered a Joint Report of the City Surveyor and the Director of the Built Environment.

Members queried whether the funding for the City's future engagement at MPIM needed to be reviewed so BHE took less of the strain. The City Surveyor would return to the Board in the autumn with his thoughts on how PIB's share of the MIPIM budget should be split between the three Funds.

Members were of the view that measuring the broad tangible outcomes from MPIM was generally difficult to define, however, The City Surveyor pointed to several examples of commercial lettings sealed at MPIM and other introductions made.

One Member suggested that this year's event went well with much more of a co-ordinated approach and a better media presence, pointing to the launch of the joint City/CPA report and highlighting the very valuable work the Co-opted Members of PIB undertook on behalf of the Board.

Members requested that the Chief Planning Officer does not attend future events - this was because there was a tendency for the event to be used for pre-application discussions and the focus of the event should be more strategic.

The Chairman requested that the diversity of the Corporation's team should be more of a factor when considering which Members/Officers attend next year's event.

RESOLVED – that Members approved the following:

I. That this report on MIPIM 2018 is received

II. That the additional cost of attending MIPIM 2018 be noted

III. That the Policy & Resources, Planning & Transportation Committees, and the Property Investment Board, approve that the City of London Corporation should attend MIPIM 2019 with a total budget of £94,000.

- 6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD** There were no questions.
- 7. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT There was no other business.

8. EXCLUSION OF THE PUBLIC

RESOLVED – That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

 NON-PUBLIC MINUTES RESOLVED – That the non-public minutes of the meeting held on 13th June be approved.

10. LEADENHALL MARKET PRESENTATION

Members received a presentation from the City Surveyor concerning Leadenhall Market.

11. CITY FUND, CITY'S ESTATE & BRIDGE HOUSE ESTATES - QUARTERLY DELEGATED AUTHORITIES UPDATE - 1ST APRIL 2018 TO 30TH JUNE 2018

Members received a Report of the City Surveyor concerning the Quarterly Delegated Authorities Update - 1st April 2018 to 30th June 2018.

12. CITY FUND, CITY'S ESTATE & BRIDGE HOUSE ESTATES: VACANT ACCOMMODATION UPDATE AS AT 1ST JUNE 2018

Members received a Report of the City Surveyor concerning Vacant Accommodation as at 1st June 2018.

- MUSEUM OF LONDON RELOCATION PROJECT UPDATE Members received a Report of the City Surveyor concerning the Museum of London relocation.
- 14. **CITY SURVEYOR REVENUE OUTTURN REPORT 2017-18** Members received a Report of the City Surveyor concerning the Revenue Outturn for 2017-18.

15. MSCI ANNUAL PERFORMANCE

Members received a Report of the City Surveyor concerning the results from the MSCI of the performance of the City Fund, City's Estate and Bridge House Estates Property Investment Portfolios.

16. ACTIONS BETWEEN MEETINGS

Members received a Report of the Town Clerk concerning the recent approvals undertaken under delegated authority and/or urgency procedures.

17. DELEGATIONS SOUGHT DURING THE SUMMER RECESS

Members received a Report of the City Surveyor concerning delegations sought during the summer recess period.

18. CITY'S ESTATE - LETTING STRATEGY FOR COMMERCIAL OFFICES AT SMITHFIELD MARKET ACKNOWLEDGING THE STRATEGIC REVIEW OF THE CITY'S WHOLESALE MARKETS

Members received a Report of the City Surveyor concerning the letting strategy for commercial offices at Smithfield Market.

- 19. CITY'S ESTATE (SPE) NICHOLLS & CLARKE SITE VARIATION TO EXISTING OPTION AGREEMENT FOR LONG LEASE REDEVELOPMENT Members considered a Report of the City Surveyor concerning the Nicholls & Clarke site.
- 20. CITY'S ESTATE LETTING REPORT AMENDMENT TO THE PROPOSED LEASE: PART GROUND & BASEMENT, 55 CHARTERHOUSE STREET, LONDON, EC1M 6HA - REVERSIONARY LEASE Members considered a Report of the City Surveyor concerning 55 Charterhouse Street.

- 21. CITY'S ESTATE NEW BROAD STREET HOUSE 35-41 NEW BROAD STREET & 81-89 OLD BROAD STREET (RENT REVIEW AS AT 25 SEPTEMBER 2015) Members considered a Report of the City Surveyor concerning New Broad Street House.
- 22. CITY FUND LEASE RE-GEAR OF 23-25 LEADENHALL MARKET, LONDON, EC3V Members considered a Report of the City Surveyor concerning 23-25 Leadenhall Market.
- 23. **CITY FUND ARREARS WRITE OFF** Members considered a Joint report of the Comptroller and the City Solicitor and the City Surveyor.
- 24. **CITY FUND 65 & 65A BASINGHALL STREET FUTURE OPPORTUNITIES** Members received a Report of the City Surveyor concerning 65 & 65a Basinghall Street.
- 25. BRIDGE HOUSE ESTATES 181 QUEEN VICTORIA STREET MAJOR REFURBISHMENT AND RENOVATION Members considered a Report of the City Surveyor concerning 181 Queen Victoria Street.
- 26. BRIDGE HOUSE ESTATES 64/65 LONDON WALL ROOF RE-COVERING AND REPLACEMENT Members considered a Report of the City Surveyor concerning 64 & 65 London Wall.
- 27. BRIDGE HOUSE ESTATES AND CITY FUND GLA ROADS PROGRESS UPDATE WITH TRANSPORT FOR LONDON Members received a Report of the City Surveyor concerning the GLA Roads dispute with Transport for London.
- 28. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD

There were no questions.

29. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE BOARD AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED There was no other business.

The meeting ended at 10.08 am

Chairman

Contact Officer: John Cater john.cater@cityoflondon.gov.uk

| Committee(s): | Date(s): |
|---|-------------------|
| Corporate Asset Sub (Finance) Committee – For | 05 September 2018 |
| information | |
| Property Investment Board – For information | 12 September 2018 |
| Subject: | Public |
| City Surveyor's Departmental Risk Register Update | |
| (Quarter One update) | |
| Report of: | For Information |
| The City Surveyor (CS 353/18) | |
| Report author: | |
| Faith Bowman / John Galvin | |
| City Surveyor's Department | |

Summary

This report has been produced to provide your Committee with a quarterly update on the management of risks within the City Surveyor's Department.

The department currently has three red risks, and six amber risks. The most significant risks, those categorised as red, are:

- SUR SMT 006 City Bridges: Wanton Damage / Terrorism Current risk score 16 (Red)
- SUR SMT 007 City Bridges: Tunnelling for the Thames Tideway Tunnel Current risk score 16 (Red)
- SUR SMT 008 City Bridges: Substantial Vessel Strike Current risk score 16 (Red)

The risks associated with the City Bridges are owned by the City Surveyor, whilst many actions are undertaken by the Department of the Built Environment (DBE) who provide engineering expertise.

To better understand the risks contingent upon the bridges, a workshop was held in early July which involved key stakeholders from across the Corporation. A follow-up meeting has been organised to re-cast the risks, considering further mitigating actions, and appropriate scoring.

Since the last report, two new risks have been identified and added to the Departmental Risk Register:

- SUR SMT 003 Inadequate maintenance funding provided by ring-fenced property occupying departments Current risk score 12 (Amber)
- SUR SMT 009 Tender Returns Current risk score 6 (Amber)

A copy of the City Surveyor's Departmental Risk Register has been included as Appendix 1.

Recommendation(s)

Members are asked to:

• Note the report, and the actions taken within the City Surveyor's Department to effectively monitor and manage risks arising from our operations.

Main Report

Background

- Departmental risks are reviewed at a quarterly Senior Management Team (SMT) Risk Review Meeting. At this meeting, SMT receives the Risk Register and a briefing is provided by officers responsible for the register's maintenance. They highlight any changes since the previous review. The current risks are assessed, and consideration is given to emerging risks. This ensures that adequate consideration is given to all operational risks.
- 2. This report provides an update on the risks that may impact the delivery of the City Surveyor's business objectives.

Current Position

3. The City Surveyor's Departmental Risk Register currently contains three red risks and six amber risks. The details of each of these are included in Appendix 1, and a summary of the red risks is provided below.

Summary of Red Risks

- SUR SMT 006 City Bridges: Wanton Damage / Terrorism Current risk score 16 (Red)
- SUR SMT 007 City Bridges: Tunnelling for the Thames Tideway Tunnel Current risk score 16 (Red)
- SUR SMT 008 City Bridges: Substantial vessel strike Current risk score 16 (Red)
- 4. The City Surveyor's Department hosted a workshop in July with key leads from across the Corporation who have a role in the City Bridges. This included Chamberlain's, City Bridge Trust, DBE and the City Surveyor's Department. This meeting took a 'first principals' approach, by initially looking at our objectives, and then considered which risks may impact their successful delivery. A follow up meeting has been arranged to re-cast the risks, considering further mitigating actions, and appropriate scoring. This will ensure that the department is better placed to manage these risks moving forward.
- 5. To ensure the prompt sharing of information between DBE and the City Surveyor's Department, a Service Agreement is being developed. This will confirm that both departments are clear on the information requirements needed

to manage the risks associated with the bridges, and will include the identification and analysis of emerging risks.

6. All tunnelling for the Thames Tideway should be concluded in 2019. As the tunnelling progresses, and should no impacts be detected, the department anticipates that the risk score should diminish significantly. The greatest impact of this risk relates to Tower Bridge, and an active liaison is being undertaken with the Tideway Tunnelling Company to ensure that we are appraised of progress.

Changes since last review

- 7. Following feedback from Corporate Asset Sub Committee (CAsC) in July, the risk register has been comprehensively reviewed. The following notes, in addition to those relating to the City Bridges above, the major changes since the end of year report (CS 149/18) was presented to Committee.
 - A. <u>SUR SMT 009 Tender Returns</u> This new risk relates to our ability to attract a sufficient number of quality tenders for contracted works. Low numbers of quality returns can lead to additional cost and programme delivery implications.
 - B. <u>SUR SMT 003 Inadequate maintenance funding provided by ring-fenced property occupying departments</u> This is a new risk identified following the Audit and Risk Management Challenge Session in late May. This risk reflects that the City Surveyor has limited control over the repairs and maintenance budgets relating to these properties (the three independent schools, the three markets, and the four police sites).
 - C. <u>SUR SMT 002 Not maximising operational property performance</u> This risk was considered by Chief Officer Risk Management Group (CORMG), for escalation to the Corporate Risk Register. CORMG felt that the risk was being effectively managed at the departmental level, whilst recognising the funding challenges.
 - D. <u>SUR SMT 005 Recruitment and retention of property professionals</u> Continues to be a risk for the department, particularly in relation to professional grades. Consideration was given to raising the risk scoring on this item, but it was thought best to leave this at a high amber at present. Actions are being progressed, including a report to Members in July, to reduce the likelihood that this risk manifests.
 - E. <u>SUR CB 009 Overweight vehicles on Tower Bridge</u> This risk relates to large vehicles (over 18T) crossing the bridge, potentially at speed, and causing damage. This risk has been considered further following feedback from Members. The risk has been added to the City Bridge risk register, but current scoring does not, at this stage, warrant it being a departmental risk. This will be kept under review.

Audit and Risk Management Challenge Session

- A 'deep dive' was held into the repairs and maintenance risk (SUR SMT 002 Not maximising operational property performance) in late May. A wide-ranging discussion was held, and it was suggested that this risk be split into two, depending on funding source. This has been reflected in the new risk (SUR SMT 003 – Inadequate maintenance funding provided by ring fenced property occupying departments).
- The risk relating to the quantity, quality and competitiveness of our tender returns was also raised. Feedback from this session has been included in the update to the Risk Register, and this item has now been included as a new risk (SUR SMT 009 – Tender Returns).

Conclusion

10. Members are asked to note the recent changes to the Departmental Risk Register. The department continues to ensure that it manages its risk in line with best practice as described within the City Corporation's Risk Management Framework.

Appendices

• Appendix 1 – City Surveyor's Departmental Risk Register

Background Papers

The City Surveyor (CS 149/18)

John Galvin Faith Bowman Business Performance and Improvement

T: 020 7332 3269 E: john.galvin@cityoflondon.gov.uk By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 10

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 11

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 12

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 13

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Agenda Item 14

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 15

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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