



## Property Investment Board

**Date:** TUESDAY, 19 JULY 2022  
**Time:** 10.00 am  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

**Members:** Deputy Andrien Meyers (Chair)  
Deputy Randall Anderson (Deputy Chairman)  
Deputy Christopher Hayward  
Martha Grekos  
Paul Singh  
Deputy James Thomson  
Alderman & Sheriff Alison Gowman  
Deputy Madush Gupta  
David Brooks Wilson (Co-opted Member)  
Claudine Blamey (Co-opted Member)

**Enquiries:** Richard Holt  
Richard.Holt@cityoflondon.gov.uk

### Accessing the virtual public meeting

Members of the public can observe this public meeting at the below link:

<https://youtu.be/0YKphye6ujo>

A recording of the public meeting will be available via the above link following the end of the public meeting for up to one municipal year. Please note: Online meeting recordings do not constitute the formal minutes of the meeting; minutes are written and are available on the City of London Corporation's website. Recordings may be edited, at the discretion of the proper officer, to remove any inappropriate material.

**John Barradell**  
Town Clerk and Chief Executive

NB: Certain matters for information have been marked \* and will be taken without discussion, unless a Member indicates that they have questions or comments prior to the start of the meeting.

## **AGENDA**

### **Part 1 - Public Agenda**

1. **APOLOGIES FOR ABSENCE**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES**  
To approve the public minutes and non-public summary of the Property Investment Board meeting held on 20<sup>th</sup> of June.  
  
**For Decision**  
(Pages 7 - 12)
4. **\*CITY SURVEYOR'S BUSINESS PLAN 2021-26 QUARTER 4 2021/22 UPDATE**  
Report of the City Surveyor.  
  
**For Information**  
(Pages 13 - 26)
5. **\*CITY SURVEYOR'S DEPARTMENTAL RISK REGISTER -JUNE 2022 UPDATE**  
Report of the City Surveyor.  
  
**For Information**  
(Pages 27 - 56)
6. **\*PROGRESS UPDATE - MINIMUM ENERGY EFFICIENCY STANDARDS & NET ZERO CARBON ACTION PLAN FOR INVESTMENT PROPERTY PORTFOLIO**  
Report of the City Surveyor.  
  
**For Information**  
(Pages 57 - 62)
7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
8. **ANY OTHER BUSINESS THAT THE CHAIR 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 20<sup>th</sup> of June.

**For Decision**  
(Pages 63 - 66)

**CITY'S ESTATE AND CITY FUND ESTATE**

11. **\*CITY SURVEYOR REVENUE OUTTURN 2021-22**

Joint report of the Chamberlain and City Surveyor.

**For Information**  
(Pages 67 - 76)

12. **\*CITY FUND & CITY'S ESTATE - QUARTERLY DELEGATED AUTHORITIES UPDATE - 1ST APRIL TO 30TH JUNE 2022**

Report of the City Surveyor.

**For Information**  
(Pages 77 - 80)

13. **\*CITY'S ESTATE & CITY FUND 21/22 CYCLICAL WORKS REVENUE OUTTURN REPORT**

Report of the City Surveyor.

**For Information**  
(Pages 81 - 90)

14. **\*CITY'S ESTATE AND CITY FUND: VACANT ACCOMMODATION UPDATE AS AT 1ST JUNE 2022**

Report of the City Surveyor.

**For Information**  
(Pages 91 - 96)

15. **\*CITY'S ESTATE & CITY FUND: PERFORMANCE MONITORING OF PROPERTY INVESTMENT PORTFOLIOS TO 31ST MARCH 2022**

Report of the City Surveyor.

*To follow.*

**For Information**

16. **\*REPORT OF ACTION TAKEN BETWEEN MEETINGS**  
Report of the Town Clerk.

**For Information**  
(Pages 97 - 104)

## **CITY'S ESTATE**

17. **CITY'S ESTATE: REFURBISHMENT/EXTENSION OF: THE COURTYARD - 1 ALFRED PLACE, W1**  
Report of the City Surveyor.

**For Decision**  
(Pages 105 - 120)

18. **CITY'S ESTATE: 8-14 GRAFTON STREET, 22-24 BRUTON LANE AND 163 AND 164 NEW BOND ST - DEVELOPMENT AGREEMENT AND GRANT OF NEW 250-YEAR GROUND LEASES**  
Report of the City Surveyor.

**For Decision**  
(Pages 121 - 144)

19. **CITY'S ESTATE: NEW BROAD STREET HOUSE, 35 NEW BROAD STREET / IRONGATE HOUSE, 30 DUKES PLACE - LEASE RESTRUCTURE FOR A CAPITAL PREMIUM & LEASEHOLD ACQUISITION**  
Report of the City Surveyor.

**For Decision**  
(Pages 145 - 164)

## **CITY FUND ESTATE**

20. **LONDON WALL WEST - REDEVELOPMENT OF BASTION HOUSE/MUSEUM OF LONDON SITE ON 140-150 LONDON WALL (CITY FUND)**  
Report of the City Surveyor.

**For Decision**  
(Pages 165 - 258)

21. **CITY FUND - HEADLEASE VARIATION - 95 QUEEN VICTORIA STREET, LONDON, EC4**  
Report of the City Surveyor.

**For Decision**

(Pages 259 - 266)

22. **CITY FUND - REFURBISHMENT/EXTENSION OF 6 BROAD STREET PLACE AND 15-17 ELDON STREET**  
Report of the City Surveyor.

**For Decision**  
(Pages 267 - 268)

23. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

24. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND WHICH THE BOARD AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

## **CONFIDENTIAL**

25. **CITY SURVEYOR'S DEPARTMENT TOM RESTRUCTURING 2022 FINAL PLAN**  
Report of the City Surveyor.

*Report to be circulated separately.*

**For Decision**

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## PROPERTY INVESTMENT BOARD

Monday, 20 June 2022

Minutes of the meeting of the Property Investment Board held at Guildhall, EC2  
on Monday, 20 June 2022 at 11.00 am

### Present

#### Members:

Deputy Andrien Meyers (Chair)  
Deputy Randall Anderson (Deputy Chairman)  
Deputy Christopher Hayward  
Deputy Madush Gupta  
Paul Singh  
Claudine Blamey

#### Officers:

Richard Holt	- Town Clerk's Department
Benjamin Dunleavy	- Town Clerk's Department
Ellen Fouweather	- Town Clerk's Department
John James	- Chamberlain's Department
Alan Bennetts	- Comptroller & City Solicitor's Department
Nicholas Gill	- City Surveyor's Department
Andrew Cross	- City Surveyor's Department
Neil Robbie	- City Surveyor's Department
Edmund Tran	- City Surveyor's Department
Graeme Low	- City Surveyor's Department

#### 1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Deputy James Thomson and Martha Grekos.

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

There were no declarations.

#### 3. ELECTION OF CHAIRMAN

The Committee proceeded to elect a Chairman in accordance with Standing Order No. 29. The Town Clerk informed the Committee that Deputy Andrien Meyers, being the only Member expressing their willingness to serve, was duly elected Chairman of the Property Investment Board for the ensuing year and took the Chair for the remainder of the meeting.

**RESOLVED-** That Deputy Andrien Meyers be elected Chairman of the Property Investment Board for the ensuing year

4. **ELECTION OF DEPUTY CHAIRMAN**

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No. 30. The Town Clerk informed the Committee that Deputy Randall Anderson, being the only Member expressing their willingness to serve, was duly elected Deputy Chairman of the Property Investment Board for the ensuing year.

**RESOLVED-** That Deputy Randall Anderson be elected Deputy Chairman of the Property Investment Board for the ensuing year.

5. **MINUTES**

The Board considered the public minutes and non-public summary of the previous meeting of the Property Investment Board held on the 21<sup>st</sup> of January.

The Chair thanked those Members who were no longer on the Board for their service and contribution to the work of the Board and welcomed the new Board Members to their first meeting.

**RESOLVED** – That the public minutes and non-public summary of the Property Investment Board meeting held on 21<sup>st</sup> of January be approved as an accurate record.

6. **APPOINTMENT OF CO-OPTED MEMBERS**

The Board considered the appointment of up to two Members of the Court of Common Council to be co-opted to the Property Investment Board.

The Town Clerk informed the Board that, as there had been four expressions of interest in two positions, a ballot would be required. Accordingly, the Board proceeded to vote on the appointment with Sheriff and Alderman Alison Gowman and Deputy Madush Gupta receiving the highest number of votes.

**RESOLVED-** That Alderman and Sheriff Alison Gowman and Deputy Madush Gupta be appointed as co-opted Members of the Property Investment Board.

7. **TERMS OF REFERENCE**

The Board agreed to discuss the item immediately before Item 8 as the two items had a strong element of interconnection. The Board received its terms of reference as agreed by the Policy & Resources Committee on 5 May 2022.

A Member requested further information on the Board's responsibility for the London Wall West project and questioned whether specific reference to this project should be added to the Board's terms of reference. The Chair explained that the terms of reference were written to capture the work of the Board rather than being project specific. The City Surveyor confirmed that the Board was, and would remain even after Planning approval was sought, the sponsoring committee for the London Wall West project. The Board agreed that a standing item on the London Wall West project be added to the Board's agendas going forward and that a reference to regular monitoring of relevant transformational projects be added to the terms of reference.



Members agreed to remove the line '(one appointment each)' from the sixth bullet point of the Boards terms of reference as this was not applicable to the Board.

Following proposal by the Chair the Board agreed a joint resolution with Financial Investment Board on the terms of reference with reference to Member appointments being for a period of four years, external co-opted Members to be made full voting members of the Board and that provision be made for Board to comment on matters when requested by the Bridge House Estates Board, making clear that the decision making authority for Bridge House Estates investment property is still held by the Bridge House Estates Board.

**RESOLVED-** That the Board agreed a joint resolution with the Financial Investment Board to the Policy and Resources Committee regarding the Board's terms of reference.

**8. TERMS OF REFERENCE AND 2022-23 WORK PROGRAMME**

The Committee considered a report of the Town Clerk on the Board's Terms of Refence and 2022-23 Work Programme.

Following a Member's query it was confirmed that the term bimonthly as used in the report referred to the Board meeting every other month rather than twice a month.

**RESOLVED-** That:-

- I. The Property Investment Board's Terms of Reference be noted; and
- II. That the proposed work programme for 2022/23 be approved; and
- III. That the frequency of meetings is considered appropriate.

**9. \*CITY SURVEYOR'S DEPARTMENTAL RISK REGISTER -APRIL 2022 UPDATE**

The Board received a report of the City Surveyor on the City Surveyor's Department Risk Register April 2022 update.

The City Surveyor noted the key risks for the Board to be made aware of related to recruitment and retention of property professionals and the impact of construction price inflation.

Replying to a Member's question it was observed that the level of remuneration which the City of London Corporation offered was the primary factor impacting the recruitment and retention of property professionals. The Chair commented that the City of London Corporation needed to get both the package offered to prospective candidates and the marketing of opportunities right to resolve this risk. The Deputy Chairman noted that the Market Forces Supplement process was cumbersome in nature and suggested that the Corporate Services Committee consider revising the level of delegation for the Market Forces Supplement.

In response to a Board Member's query, it was confirmed that equality, diversity and inclusion were central to the City Surveyor's recruitment policy.

The City Surveyor, replying to a Member's concern, confirmed that quality and programme were key considerations when appointing contractors. Additionally, the Chamberlain explained that some projects had funds allocated in respect of increased inflation and that, if these allocated funds are not sufficient, then further moneys within the investment portfolio will need to be found. The City Surveyor informed that it was being considered as to whether modifications to the financial metrics in reflection of inflation were appropriate.

Further to a Member's question the City Surveyor confirmed that a response would be brought to the Board on the City of London Corporation's use of alternative procurement routes.

**RESOLVED-** That the report be noted.

10. **\*CITY SURVEYOR'S BUSINESS PLAN 2021-26 QUARTER 3 2021/22 UPDATE**

The Board received a report of the City Surveyor's Business Plan 2021-26 Quarter 3 2021/22 Update.

Responding to a question from the Chair the City Surveyor explained that during the pandemic Key Performance Indicators (KPI) nine, ten and eleven were not reported on but with the partial lifting of the Government's moratorium on enforcement these KPIs would be reported on to the Board. In addition, it was noted that an additional KPI on the progress toward carbon zero would also be added.

**RESOLVED-** That the report be noted.

11. **\*PROGRESS UPDATE - MINIMUM ENERGY EFFICIENCY STANDARDS & NET ZERO CARBON ACTION PLAN FOR INVESTMENT PROPERTY PORTFOLIO**

The Board received a report of the City Surveyor which provided a Progress Update on the Minimum Energy Efficiency Standards and Net Zero Carbon Action Plan for the Investment Property Portfolio.

The Board discussed the challenges in achieving the Minimum Energy Efficiency Standards and Net Zero Carbon Action Plan, noting that there would be an annual report presented to Members on the progression of these programmes. The City Surveyor explained the buildings prioritisation process for the surveys and draft reports in the analysis programme. The Deputy Chairman requested that the Strategic Property Estate be presented as a separate fund to make the distinction clearer in future reports.

The City Surveyor offered to meet provide an induction to the new Members of the Board.

**RESOLVED-** That the report be noted.

12. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

The Deputy Chairman requested an update on the London Wall West project.

13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business.

14. **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.

**Item No.**

15-20

**Paragraph No.**

3

15. **NON-PUBLIC MINUTES**

The Board considered the non-public minutes of the previous meeting of the Property Investment Board held on the 21<sup>st</sup> of January.

**RESOLVED** – That the non-public minutes of the Property Investment Board meeting held on the 21<sup>st</sup> of January be approved as an accurate record.

16. **\*ALL FUNDS - RENTAL ESTIMATES MONITORING REPORT (DECEMBER 2021 AND MARCH 2022 QUARTERS)**

The Board received a report of the City Surveyor on the Rental Estimates Monitoring December 2021 and March 2022 Quarters for all funds.

**RECEIVED-** That the report be noted.

17. **\*CITY FUND, CITY'S ESTATE, BRIDGE HOUSE ESTATES AND STRATEGIC PROPERTY ESTATE - ANNUAL VALUATION**

The Board received a report of the City Surveyor on the Annual Valuation for City Fund, Bridge House Estates and Strategic Property Estate Annual Valuation.

**RESOLVED-** That the report be noted.

18. **\*CITY FUND, CITY'S ESTATE AND BRIDGE HOUSE ESTATES: ARREARS OF RENT AS AT MARCH 2022 QUARTER DAY MINUS 1**

The Board received a report of the City Surveyor on the Arrears of Rent at March 2022 Quarter Day Minus 1 for City Fund, City's Estate and Bridge House Estates.

**RESOLVED-** That the report be noted.

19. **CITY FUND, CITY'S ESTATE & BRIDGE HOUSE ESTATES - QUARTERLY DELEGATED AUTHORITIES UPDATE - 1ST JANUARY 2022 TO 31ST MARCH 2022**

The Board received a report of the City Surveyor on the Quarterly Delegated Authorities Update 1<sup>st</sup> January to 31<sup>st</sup> March 2022 for City Fund, City's Estate and Bridge House Estates.

**RESOLVED-** That the report be noted.

20. **\*REPORT OF ACTION TAKEN**

The Board received a report of the Town Clerk regarding the action taken outside of the Board meetings in accordance with Standing Order 41.

**RESOLVED-**That the report be noted.

21. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

There was one question received in the non-public session.

22. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE BOARD AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

The Board consider one item of urgent business in the non-public session.

**The meeting ended at 12.42 pm**

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Chair

**Contact Officer: Richard Holt**  
**Richard.Holt@cityoflondon.gov.uk**

<b>Committee(s)</b>	<b>Dated:</b>
Property Investment Board – For information Operational Property and Projects Sub Committee – For information	19 July 2022 20 July 2022
<b>Subject:</b> City Surveyor's Business Plan 2021-26 Quarter 4 2021/22 Update	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>4, 7, 12</b>
<b>Does this proposal require extra revenue and/or capital spending? N/A</b>	<b>N</b>
<b>If so, how much? N/A</b>	<b>N/A</b>
<b>What is the source of Funding? N/A</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department? N/A</b>	<b>N/A</b>
<b>Report of: The City Surveyor (CS 220/22)</b>	<b>For Information</b>
<b>Report author:</b> John Galvin / Faith Bowman City Surveyor's Department	

## Summary

This report provides Members of Property Investment Board (PIB) and Operational Property and Projects Sub Committee (OPPSC) details of progress in quarter 4 (January to March) 2021/22 against the 2021-26 Business Plan.

Since the onset of Coronavirus in early 2020 we have not been providing a Red-Amber-Green (RAG) assessment for three measures. Each of these relate to investment property performance where, whilst we have reported on performance, it has been difficult to set meaningful targets. We have set targets for 2022/23 and will report on these along with the other Key Performance Indicators.

The department has continued to perform well. The last 12 months have been extremely challenging as the City returns to the 'new normal.' We have continued delivery of our core services – the safe operation of our sites, the management of our assets, the delivery of key projects, the management of our investment estate, and the promotion of the City – this is a testament to the commitment and drive of our staff whilst in adapting to change.

At the end of the reporting year, seven key performance indicators (KPIs) achieved the target (green), and three items were marginally behind in achieving the target set for the year. One final measure (MSCI outperformance) will be reported in the first quarter of 2022/23 as information was not available at the time of writing this report.

The red indicators were as follows:

- KPI. 1 – Asset Realisation and Additional Income (OPPSC)
- KPI. 6 – Capital Projects risks status (OPPSC and PIB)

- KPI. 14 – Digital infrastructure strategy (OPPSC and PIB)

The financial position at the end of the year, set out in Appendix A, reveals that the City Surveyor was overspent by £1.159m against a budget of £27.743m (4.2%) for his City Cash and City Fund services. The City Surveyor's Bridge House Estates services, which are now shown separately, were underspent by £251k against a budget of £2.520m (10%).

### **Recommendation(s)**

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 quarterly report on the progress made during quarter 4 of 2021-22 (January to March) against the 2021-26 Business Plan.

#### **Current Position**

2. This report provides the latest budget information which is set out in Appendix A. Appendix B provides a detailed table of the department's Key Performance Indicators (KPIs). Charts of performance indicators that are of interest to your Committee are included in Appendix C. Commentary on the commercial property market is included in Appendix D.
3. In addition, Members receive regular monitoring reports covering Rent Reviews, Lease Renewals, Arrears, Vacancies and Delegated Decisions. These provide indications of the current market situation, particularly for directly managed properties.
4. A separate monitoring report on the risks within the department is also circulated for this meeting.

#### **Financial Statement**

5. The outturn reveals that the City Surveyor was overspent by £1.159m against a budget of £27.743m (4.2%) for his City Cash and City Fund services. This overspend contained two exceptional items. One was £313k for business rates due to a tenant failure on City's Estate. The second was an overspend at the Central Criminal Court principally due to extra cleaning and equipment, as a result of COVID-19, and additional energy costs. As the service was only transferred to the City Surveyor in November 2021 there was little opportunity for him to have any impact on this overspend at the Court. The reasons for remainder of the overspend are set out in Appendix A.
6. This year the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee have agreed that no departmental overspend will be carried forward into 2022/23.

7. The City Surveyor's Bridge House Estates services, which are now shown separately, were underspent by £251k against a budget of £2.520m (10%). This was due to underspend on repairs and maintenance, partly due to a project not completing, as well as savings on energy costs. These underspends were in part offset by additional professional fees for marketing Electra House (investment) and extra security costs. A small carry forward budget of £40k has been approved by the Bridge House Board out of the underspend. This carry forward will be used to complete work to upgrade lighting at Viper Industrial Estate (investment) to improve the buildings EPC to a B. This work did not complete in 2021/22.

### Business Plan progress update

8. The following KPIs are not currently being assessed against a target, and consequently no RAG status will apply. As London emerges from Coronavirus-imposed restrictions, we will again report against a target for these measures. This is anticipated to be from quarter 1 2022/23.
- A. KPI. 9 – Rental forecasts (PIB)
  - B. KPI. 10 – Minimise arrears (PIB)
  - C. KPI. 11 – Minimise voids (PIB)

### Quarter 4 2021/22 update

9. A RAG status is used to summarise the progress of the performance indicators we are measuring on a quarterly basis. The table below provides an 'at a glance' status report for the City Surveyor's KPIs at the end of quarter 4.

Status <sup>1</sup>	Green	Amber	Red	TBC	N/A
Operational Property and Projects Sub Committee	7		3		
Property Investment Board	1		2	1	3
Overall <sup>2</sup>	7		3	1	3

10. Of the fourteen key performance indicators monitored, seven were assessed as being on target (green), with three indicators ended the year behind target (red).
11. As noted in paragraph 8, three measures do not have a RAG assessment. One further measure, relating to our investment performance against the Morgan

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

<sup>2</sup> Some KPIs relate to both PIB and OPPSC. Therefore, row indicating KPIs overall is not a total of the PIB and OPPSC rows.

Stanley Capital Index (MSCI) benchmark, will reported in quarter 1 once data is finalised.

12. KPI.2 – Corporate Energy Consumption recorded a weather corrected year-on-year increase of 4%. However, this measure has been assessed as green as the equivalent period in 2020/21 was heavily impacted by COVID-19 lockdowns. A comparison with the year prior (2019/20) shows a 17% weather corrected reduction in consumption, which is tracking ahead of the long-term target.

13. The following indicators was marginally behind target at the end of quarter 4:

A. KPI. 1 – Asset Realisation and Additional Income (OPPSC)  
Quarter 4 performance – not achieved

The objective of this indicator is to attain receipts (capital and projected income) that are > 90% of the total forecast value of £1.9m. There is also an additional income target £1.5m per annum. This relates to an increase in rental billing (achieved through lease events), not in relation to rent received. As we approach the end of the financial year, an update on our key sites is noted below:

#### **Park View**

On target, the Committee has approved disposal and easement. Total receipts of £171,500, broken down as follows:

- City Fund - £148,500
- Epping Forest Capital Fund - £23,000

#### **Woodredon Farm and Equestrian Centre**

Second round offers have been received and assessed. The preferred bidder has recently withdrawn from the process and the under bidders are currently being considered.

#### **Green Lane**

This site is not on target. There are complex estate management issues which are being worked through in consultation with the Epping Estate Team, supported by external advice. Resolution is expected by September 2022 before this property will be ready for disposal.

#### **Income Target**

The income target is not forecast to be achieved. The continued impact of COVID-19 and the resulting market uncertainty, combined with the extended moratorium on forfeiture provisions until March 2022, have led to a delay in agreeing many transactions and new uplifts in rental payments.



Despite these headwinds, the Corporate Property Group in the department has generated combined additional savings, income and capital receipts from transactions completed in 2021/22 across the operational estate of £3.35m (of which only £166k contributes to departmental local risk budget). Furthermore, additional income of circa £122k per annum has been secured through the lease event programme managed by this department on behalf of other service departments i.e., the management of the third-party interests (leases, licences etc).

**B. KPI. 6 – Capital Project – Project Risk Status (OPPSC and PIB)**  
Quarter 4 performance – 23%.

The objective of this indicator is to look at the Risk Status of each project comparing the percentage of 'Red-status' projects to the overall number of projects. A target has been set for red projects not more than 20%. The quarter 4 result for this indicator was just above target at 23%.

The amber rating is a direct result of COVID-19 and site restrictions. Due to these limitations several projects are still running behind programme and therefore did not achieve a green status.

**C. KPI. 14 – Digital Infrastructure Strategy (OPPSC and PIB)**  
Quarter 4 performance – not achieved

The objective of this indicator is to deliver the Digital Infrastructure Strategy by the end of 2022. This strategy focusses on encouraging and facilitating the deployment of telecommunications networks to boost economic growth, digital inclusion, and deliver a range of societal benefits. This delivery of this strategy is assessed against quarterly milestones.

The target has not been achieved in quarter due to the wireless concession partner changing ownership. Consequently, the contract to deliver the pilot was being held in abeyance. It is expected that sign-off will be achieved to allow deployment of the pilot in quarter 1 2022/23.

## **Conclusion**

Over 2021/22 the department performed exceptionally well. The year was characterised by uncertainty driven by the Coronavirus pandemic. The fact that most of our measures met and exceeded target is a testament to the commitment and professionalism of the department's workforce.

## **Appendices**

- Appendix A                      Budget Monitoring Statement
- Appendix B                      Key Performance Indicator Table
- Appendix C                      Headline Performance Charts
- Appendix D                      Market Commentary

## **Background Papers**

- The City Surveyor    The City Surveyor's Business Plan 2021-26 (CS 347/20)
- The City Surveyor    Business Plan Quarter 1 Update (CS 358/21)
- The City Surveyor    Business Plan Quarter 2 Update (CS453/21)
- The City Surveyor    Business Plan Quarter 3 Update (CS123/22)

**Faith Bowman**

**John Galvin**

Departmental Performance & Services

City Surveyor's Department

E: [john.galvin@cityoflondon.gov.uk](mailto:john.galvin@cityoflondon.gov.uk)

<b>LOCAL RISK BUDGET</b> <b>Quarter 4</b>	<b>Latest Approved</b> <b>Budget</b> <b>£000</b>	<b>Quarter 4</b> <b>Total Expenditure</b> <b>£000</b>	<b>(Over) / Under</b> <b>Spend for Period</b> <b>£000</b>	
<b>City Fund</b>				
City Fund Estate & Leadenhall	(1,613)	(1,652)	(39)	
CPAT & City Centre	(491)	(472)	19	
Walbrook Wharf	(929)	(876)	53	
Mayor's & City of London Court	(20)	(26)	(6)	
Recoverable Projects	0	0	0	
Lower Thames St Roman Bath	(7)	(7)	0	
Central Criminal Court	(346)	(627)	(281)	1
R&M & MI Work for other departments	(1,255)	(1,160)	95	2
Corporate FM cleaning & security	(90)	(96)	(6)	
	(4,751)	(4,916)	(165)	
<b>City's Cash</b>				
City's Cash Estate	(3,017)	(3,548)	(531)	3
Departmental	(9,105)	(9,828)	(723)	4
Mayoralty & Shrievalty	(93)	(54)	39	
R&M & MI Work for other departments	(1,836)	(1,864)	(28)	
Corporate FM cleaning & security	(610)	(642)	(32)	
	(14,661)	(15,936)	(1,275)	
<b>Guildhall Administration</b>				
Guildhall Complex	(8,061)	(7,780)	281	5
	(8,061)	(7,780)	281	
<b>Total City Surveyor Local Risk excl BHE</b>	<b>(27,473)</b>	<b>(28,632)</b>	<b>(1,159)</b>	
<b>Bridge House Estates</b>				
Bridge House Estates	(2,258)	(2,027)	231	6
Tower Bridge Corporate FM cleaning	(262)	(242)	20	
	(2,520)	(2,269)	251	
<b>Total City Surveyor Local Risk incl BHE</b>	<b>(29,993)</b>	<b>(30,901)</b>	<b>(908)</b>	

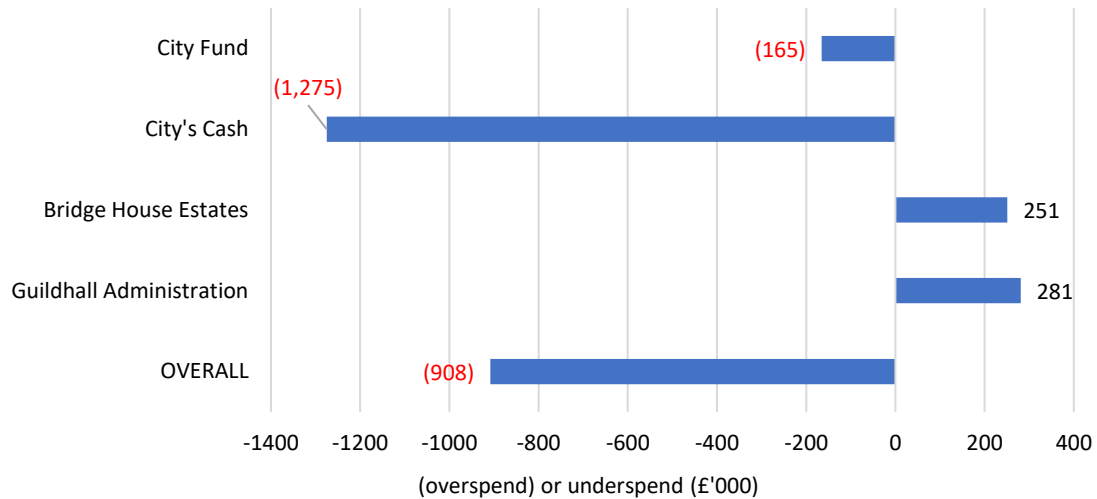
## Notes

1. Overspend mainly due to additional temporary cleaners and equipment to meet Covid safety standards throughout the courts and extra spend on energy costs which could not be recovered from the Court Service.
2. Underspend due to lower reactive repairs and maintenance than anticipated.
3. Overspend due to additional business rates spend and reduced service charge recovery due to voids.
4. Overspend due to delayed facilities management restructure, and residual part of 12% savings target not being met.
5. Savings on reactive repairs and maintenance and security due to the pandemic.
6. Savings on repairs & maintenance, partly due to a project not completing, and energy costs were in part offset by additional professional fees for marketing Electra House and extra security costs.

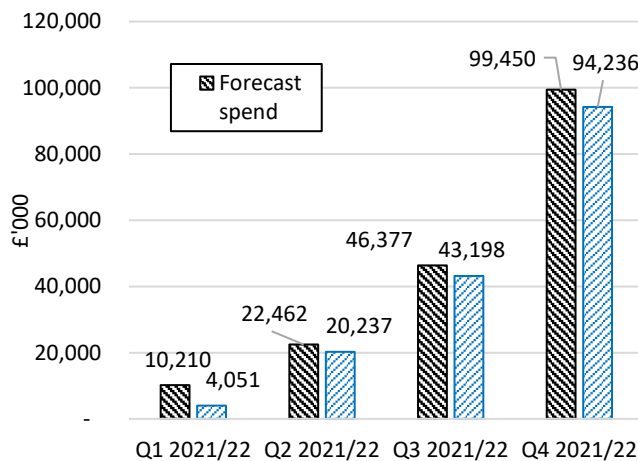
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Key Performance Indicators												
Ref	Title	Target	Group	Committee	Q1		Q2		Q3		Q4	
					Actual	RAG	Actual	RAG	Actual	RAG	Actual	RAG
KPI 1	Asset Realisation and additional income	£1.9m	CPG	OPPSC	on target	green	off target	amber	off target	amber	not achiev	red
KPI 2	Energy Consumption <sup>xxx</sup>	Min 4%	CG	OPPSC	16.00%	green	10.00%	green	6.00%	green	4.00%	green
KPI 3	Space Utilisation <sup>*</sup>	£3,826	CPG	OPPSC	n/a	n/a	n/a	green	n/a	amber	£3,739	green
KPI 4	Property contract Performance Compliance	> 90%	CG	OPPSC	90.37%	green	96.30%	green	90.37%	green	91.11%	green
KPI 5	Adherence to Budgetary Spend Profiles	95% to 10%	All	PIB; OPPS	9.53%	green	31.92%	green	37.62%	green	94.00%	green
KPI 6	Capital Project - Project Risk Status	< 20%	PPG	PIB; OPPS	21.00%	amber	17.00%	green	23.00%	amber	23.00%	red
KPI 7	Capital Project- Health & Safety <sup>*</sup>	80%	PPG	PIB; OPPS	n/a	n/a	87.00%	green	n/a	n/a	89.00%	green
KPI 8	Capital Project - Site sustainability waste management	> 90%	PPG	PIB; OPPS	98.00%	green	98.00%	green	98.00%	green	97.00%	green
KPI 9	Rental Forecasts <sup>xxxx</sup>	n/a	IPG	PIB	£122.19m	n/a	121.6m%	n/a	121.1m%	n/a	119.33%	n/a
KPI 10	Minimise Arrears <sup>xxxx</sup>	n/a	IPG	PIB	13.52%	n/a	12.03%	n/a	11.46%	n/a	9.25%	n/a
KPI 11	Minimise voids <sup>(*) xxxx</sup>	n/a	IPG	PIB	3.45%	n/a	n/a	n/a	2.91%	n/a	n/a	n/a
KPI 12	Outperform MSC <sup>xx</sup>	exceed btl	IPG	PIB	n/a	n/a	n/a	n/a	n/a	n/a	tlc	n/a
KPI 13	Delivery of improvements districts	on schedu	CPAT	PIB; OPPS	on target	green	on target	green	on target	green	achieved	green
KPI 14	Digital infrastructure strategy	on schedu	CPAT	PIB; OPPS	on target	green	off target	amber	off target	amber	not achiev	red
	<sup>*</sup> reported bi annually											
	<sup>xx</sup> reported annually											
	<sup>xxx</sup> reported a quarter in arrears											
	<sup>xxxx</sup> RAG currently suspended											

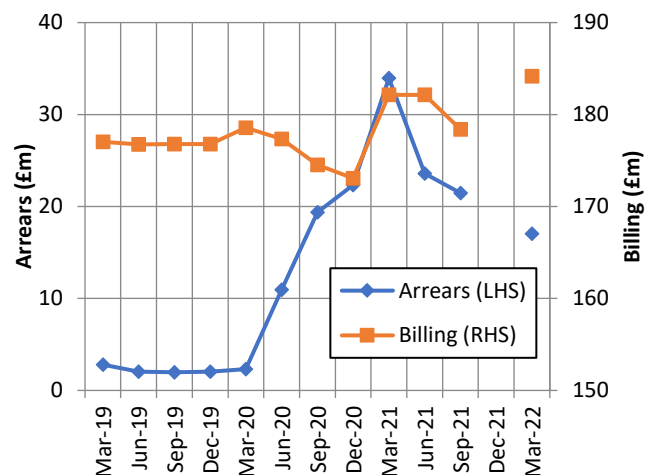
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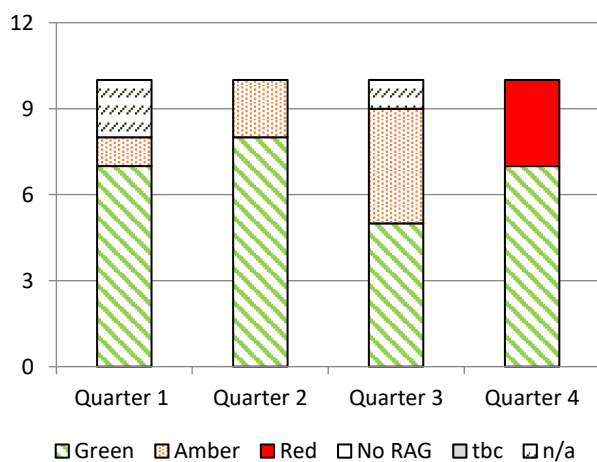
**Figure 1** End of year variance against local risk budget – (overspend) or underspend



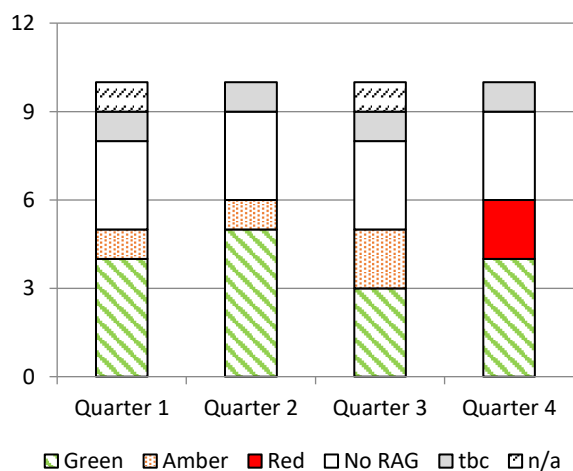
**Figure 2** All project spend, forecast v actual



**Figure 3** (Investment Properties) Commercial tenants' arrears compared to annual rolling billing run.



**Figure 4** Performance of KPIs linked to Corporate Property (Operational Property and Projects Sub Committee)



**Figure 5** Performance of KPIs linked to Investment Property (Property Investment Board)

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**Market Trends, January – March 2022**

1. In the City office leasing market, Savills reported that March take-up reached 402,554 sq ft across 32 deals, bringing the total quarter take-up figure to 1.3m sq ft. This is up 71% on the same point last year and is in line with the ten-year average. The twelve-month rolling take-up currently sits at 5.4m sq ft – this is 125% to the same figure twelve months ago (2.4m sq ft).
2. Total City supply rose by 4% and currently stands at 12.9m sq ft, equating to a vacancy rate of 9.2%, and is up considerably on the five-year average of 8.3m sq ft. A contributing factor to this rise is the addition of 550,000 sq ft of speculative schemes scheduled to complete by September 2022 being added to availability.
3. The average Grade A City rent for the first quarter of 2022 settled at £67.11 psf, up on the same period last year by 4%. In the last six months Savills have seen 49 rents achieved over £70.00 psf, or 30% of all known rents in that period. This leaves the average prime for the last six months of £83.64 psf, a record level for any six-month period.
4. The quarter (January to March) saw 683,657 sq ft of office space complete and brought to market. Of the remaining 3.0m sq ft scheduled to complete this calendar year, 40% is pre-let. In total, between 2022 and 2025, the City is anticipating 15.5m sq ft to be completed, of which 18% is pre-let.
5. In the West End office leasing market, Savills reported March as the strongest month for take-up so far this year, albeit the quarter has been quiet in comparison to previous years. Leasing activity reached 264,341 sq ft across 25 transactions – this took the quarter's total to 652,105 sq ft across 79 transactions. This was both 35% and 20% below the ten-year long-term average by volume and number of leasing transactions, respectively.
6. From this 1.30m sq ft of space, 82% is classified as Grade A, whilst 78% of the quarter's take-up was also made up of Grade A space. At the end of the first quarter, the average prime rent stood at £121.66 psf, a 1.5% rise from where it stood at the end of last year.
7. Average Grade A rents remain strong at £82.78 psf whilst the average Grade B rent has fallen by 13% from the end of last year to reach £48.05 psf as demand for this type of office space continues to lessen, albeit this is based on a smaller number of transactions.
8. At the end of the quarter supply rose slightly to reach 7.6m sq ft. This supply was, in part, due to the addition of speculative 2022 completions, which were added to supply at the end of this quarter, adding 606,624 sq ft to supply. Consequently, the vacancy rate has risen in March to reach 6.5%, 20 bps

higher than the previous month and above the ten-year long-term average of 4.1%. Savills are still seeing the available tenant supply decline as it reached 1.6m at the end of last month, an 18% fall from the start of the year.

9. In the City investment market, Savills confirmed the total transaction volume for the quarter reached £3.8bn across 36 deals, 27% higher than the previous record in the January-March quarter in 2007. This reflects a year-on-year increase of 540% on the same quarter in 2021. March was the busiest month of the quarter, with 20 deals reaching exchange of contracts totalling £2.731bn, reflecting an average lot size of £136.5m.
10. In the West End investment market, Savills recorded a quarterly investment turnover of £1.91bn across 23 transactions. Of this 16% of the volume took place in March, where nine deals totalling £307m exchanged. However, the lion's share derives from January's turnover (82%) which is largely attributed to Google's acquisition of Central Saint Giles. The market witnessed a resurgence of activity following a muted February, and the quarterly volume figure represents an increase on the five-year and ten-year averages by 60% and 37%, respectively.
11. In terms of available stock, Savills are tracking a wealth of 'buyable' assets totalling £2.1bn, and over 20% of this volume was marketed in March, across nine buildings. Following a particularly strong quarter, and with a further £1.76bn under offer, they expect momentum to continue into the next (current) quarter, particularly as vendors wish to close existing sales before the traditional lull of summer.
12. Savills Prime City yield remains at 3.75% (same as pre-covid), this compares to a West End Prime Yield of 3.25%.

<b>Committee(s)</b>	<b>Dated:</b>
Property Investment Board – For information Operational Property and Projects Sub Committee – for information	19 July 2022 20 July 2022
<b>Subject:</b> City Surveyor's Departmental Risk Register – June 2022 Update	Public
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	5
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<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: City Surveyor (CS 219/22)</b>	For Information
<b>Report authors:</b> 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 City Surveyor department managing one corporate risk (Appendix 1). There are a further nine risks on its Departmental Risk Register (Appendix 2). Three of these departmental risks are recorded as red. The red risks currently being managed by the department are:

- Corporate Risk:
  - CR 37 – Maintenance and renewal of physical assets – Investment property and Corporate (operational) property (excluding housing)  
Current risk score 16 (Red)
- Departmental Risks:
  - SUR SMT 005 – Construction Price Inflation  
Current risk score 16 (Red)
  - SUR SMT 007 – Energy Pricing  
Current risk score 16 (Red)
  - SUR SMT 009 – Recruitment and retention of property professionals  
Current risk score 16 (Red)

Since the last time Members received an update (CS 137/22), the risk relating to the 'maintenance and renewal of physical assets' has been formally escalated to the Corporate Risk Register.

## **Recommendation(s)**

Members are asked to:

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

## **Main Report**

1. The City of London Corporation's Risk Management Policy and Strategy (RMP&S) requires each Chief Officer to report regularly to Committee the key risks faced in their department. The Property Investment Board (PIB) and Operational Property and Projects Sub Committee (OPPSC) has determined that they will receive the City Surveyor's risk registers on a quarterly basis.
2. All Corporate Risks are reported regularly through to Audit and Risk Management (A&RM) Committee. Whilst A&RM Committee 'owns' the Corporate Risk Register, Members of both PIB and OPPSC will have invaluable input into the risk itself – notably due to their familiarity with the drivers and technicalities associated with the risk. The department welcomes feedback from Members of this Committee to shape these risks, mitigating activities, and risk scoring.
3. This report has attached the relevant Corporate Risk as Appendix 1, and the wider Departmental Risk Register as Appendix 2.
4. Risks are reviewed regularly by the department's Senior Management Team (SMT) in line with the organisation's RMP&S. Risks are assessed on a likelihood-impact basis, and the resultant score is associated with a traffic light colour.
5. Should any changes occur between formal meetings a process exists such that risks can be captured, assessed, and mitigating activities captured. This ensures that the risk management process remains 'live'.

## **Current Position**

6. The City Surveyor is currently managing one Corporate Risk. This is currently rated as red. Further, the Departmental Risk Register contains three red, five amber and one green risk. The details of each of these are included in Appendix 1 (Corporate Risk) and Appendix 2 (Departmental Risks).
7. Risk SUR SMT 009, relating to the Recruitment and retention of property professionals has increased due to a buoyant market for property professionals in the workforce.
8. The department also manages the repairs and maintenance risks associated with the five city bridges. These risks are reported separately through to the Bridge House Estates Board.

## Changes since last review

9. The key items to note for this period are summarised below:

- A. CR 37 (formerly SUR SMT 004) — Investment property and Corporate (operational) property (excluding housing assets)  
Current score – 16 (Red)

This risk has been escalated up and accepted onto the Corporate Risk register. The risk reflects the disparity between the asset requirements and the available funds required to meet or maintain this standard.

- B. SUR SMT 009 – Recruitment and retention of property professionals  
Current score – 16 (RED)

This risk has been identified by several of the divisions within the City Surveyor's Department. It is becoming increasingly difficult to recruit suitably skilled staff at the correct level for the grade being advertised.

It has also become more difficult to retain staff who get better reward packages from other organisations (both commercial and public sector).

The risk score on this item has recently been increased to reflect a growing difficulty in recruiting and retaining the best staff.

The department is actively engaging with corporate partners to help mitigate this risk. There is a strong relation to the emerging Corporate Risk relating to the 'skills and capacity of our people'. This risk is being considered by the Executive Leadership Board.

Whilst some mitigations are outside the control of CSD, the department is keen to ensure that it pursues all available actions to mitigate the likelihood and impact of this risk. These items are captured in the mitigating actions in Appendix 2.

- C. SUR SMT 005 – Construction Price Inflation  
Current score – 16 (Red)  
SUR SMT 007 – Energy Pricing  
Current score – 16 (Red)

Both these risks capture pricing inflation concerns. The department is monitoring these markets closely and pursuing a range of actions which will assist mitigating the impact of these macroeconomic forces. These items will be kept under close review.

## Heatmap

10. Through the performance dashboard tool, Power BI, it is possible to create heatmaps of the department's risks. This is a graphical summary of the current

departmental risks (left). A comparison with the those presented at the last report (May) is included as the table on the right. Note that the table includes the Corporate Risk that is being managed by the department.

11. The Heatmaps do not track individual risks over time, rather it is a snapshot comparison of the overall risk profile. Members should note that there is one additional risk for this period.

	Minor	Serious	Major	Extreme
Likely			4	
Possible		1	4	
Unlikely		1		
Rare				

Table 1: July 2022 Risk Heatmap

	Minor	Serious	Major	Extreme
Likely		1	2	
Possible		1	4	
Unlikely			1	
Rare				

Table 2: May 2022 Risk Heatmap

## Conclusion

12. Members are asked to note the recent changes to the departmental risk register, and the actions taken by CSD to mitigate the likelihood and/or impact of the risks.

## Appendices

- Appendix 1 – Department's Corporate Risk
- Appendix 2 – Departmental risk register

## Background Papers

- The City Surveyor – The City Surveyor's Departmental Risk Register – May Update (CS 137/22)
- The City Surveyor – The City Surveyor's Departmental Risk Register – July Update (CS 215/21)
- The City Surveyor – The City Surveyor's Departmental Risk Register – August Update (CS 357/21)
- The City Surveyor – The City Surveyor's Departmental Risk Register – November Update (CS 455/20)

**John Galvin**

**Faith Bowman**

Departmental Performance & Services  
City Surveyor's Department

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# SUR Departmental risks - detailed report EXCLUDING COMPLETED ACTIONS for COMMITTEE

Report Author: Faith Bowman

Generated on: 24 June 2022



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>P000037</b> <b>Formerly SUR SMT 004)</b> <b>Maintenance and renewal of Physical Assets-Investment property and Corporate (operational) property (excluding housing assets)</b> 04-Nov-2019 Paul Wilkinson	<b>Cause:</b> Poor property condition combined with insufficient budget to maintain assets in line with commitments/expectations. <b>Event:</b> Misalignment between the relevant Asset Management Strategy, City's lease obligations to third parties in occupation and the available funds to reach / maintain this standard <b>Impact:</b> Built estate becomes not fit for purpose/ functions/occupancy. The City becomes in breach of legal repairing covenants. Cost of maintenance and utility costs increases, placing further pressure on City resources. In extreme circumstances there will be H&S implications, leading to potential enforcement action, legal action by tenants or asset failure in whole or part with detrimental effects leading to impact on occupiers	 Likelihood Impact	16	This risk was presented to Chief Officer Risk Management Group (CORMG – March) and the Executive Leadership Board (ELB – April). Following discussion at these forums, it was recommended that the risk be escalated as a Corporate Risk. Subsequently the risk has been presented to Audit & Risk Management Committee, who endorsed this decision.  24 Jun 2022	 Likelihood Impact	4	31-Mar-2023        Reduce	       Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 004a	Cyclical Works Programme (CWP)	<p>The CWP bid for 22/23 is valued at £29.8m, and these works are essential to keep the operational properties in a good standard.</p> <p>This bid was subject to a bilateral meeting on 08/10 and following Member steer has subsequently been reduced to c.£11.1million. This funding was approved by RASC in January and progress will be reported through to OPPSC.</p> <p>Peter Collinson &amp; Peter Young will be meeting with Sonia Virdee (Chamberlain's) to discuss the interaction between the Medium-Term Financial Plan (MTFP) and the combination of backlog and deferred maintenance (July 2022). A new bid is being developed (23/24) and will likely be circa £30m, but will need to go through a similar prioritisation process.</p>	Peter Collinson	24-Jun-2022	31-Mar-2023
SUR SMT 004b	Ring fenced properties and budgets ( CoLP estate, New Spitalfields, Billingsgate and the three private schools	<p>CSD is communicating with ring fenced departments to identify appropriate building maintenance requirements and spend (forward maintenance). These department occupiers allocate their own funds for the maintenance of the built assets. Whilst the City Surveyor's Department recommends work to be undertaken, it is the occupying department who holds the budget responsibility and thus decides with final control over maintenance activity.</p> <p>This element is being mitigated through the delivery of the recommendations arising from the recent Internal Audit.</p> <p>Internal Audit are currently undertaking a planned progress update review following the 2021 Audit. The department is actively engaging with this review to help pinpoint areas where progress has not proceeded as rapidly as desired. Recommendations arising from this review will be implemented by the department and promoted to other departments where it falls outside of CSD control.</p> <p>The master planning of certain sites (such as the Boys' School) helps add clarity around required spend.</p>	Peter Collinson; Peter Young	24-Jun-2022	31-Mar-2023
SUR SMT 004c	Repairs and Maintenance Budget	The local repairs and maintenance budget has come under significant pressure. The intelligent prioritising of works helps mitigate the impact of this issue. This reflects good practice and helps inform the CWP scoring matrix. The implementation of the new Computer Aided Facilities Management (CAFM) system Concerto increases the intelligence that can be drawn from our systems.	Peter Collinson	24-Jun-2022	31-Mar-2023
SUR SMT 004d	Revenue Programme (Investment Estate Only)	<p>The allocation of sufficient funds to maintain our investment portfolio to a high standard is required to maximise income generation and asset appreciation. Discussions are on-going with internal colleagues such that sufficient provision is made from the rent received.</p> <p>For the coming year 4.6% of projected rent has been allocated, broadly in line with the 5% industry 'rule of thumb'. One of the post-Covid trends is a 'flight to quality' from occupiers, making the condition of our assets critical to future income.</p>	Nicholas Gill	24-Jun-2022	31-Mar-2023



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# SUR Departmental risks - detailed report EXCLUDING COMPLETED ACTIONS for COMMITTEE

Report Author: Faith Bowman

Generated on: 23 June 2022



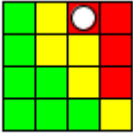
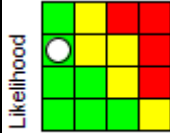

Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>P</b> <b>Page 37</b> <b>R SMT 005</b> <b>Construction</b> <b>Price Inflation</b>	<b>Cause:</b> Market conditions have led to input price inflation <b>Event:</b> Project and programme cost escalation <b>Impact:</b> Inability to delivery capital and revenue projects within budget	 Likelihood Impact	16	Material costs and labour availability are combining to raise costs. This cost increase has already been seen in our tender returns, and this explains why this risk notes its likelihood as “likely”.  The recent sharp uplift in fuel and energy prices is creating negative impacts across the supply chain and may lead to this risk being less transitory than first envisaged.  We are currently experiencing the following issues: . Contractor claims – have increased (this is in-line with the broader industry) . Contractor financial stability – is being monitored closely, and we are ensuring that contingencies are in place where relevant.	 Likelihood Impact	6	31-Mar-2023	

14-Oct-2021  
Ola Obadara

14-Oct-2021  
Ola Obadara

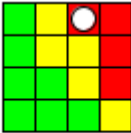
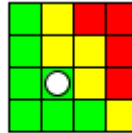

SUR SMT 005b	Committee Paper	The City Surveyor's Department input into a paper for (then) Project Sub Committee, Procurement Sub Committee and Policy and Resources outlining the impact and implications of this risk. Awaiting Decision.	Ola Obadara	21-Jun-2022	30-Sep-2022
SUR SMT 005c	Capital Project Review	A detailed review of projects that are scheduled to be delivered over the next 2-3 years is underway. This will test different inflationary assumptions. (Notes currently being compiled from review)	Ola Obadara	21-Jun-2022	31-Jul-2022
SUR SMT 005d	Contracts	Chamberlain's procurement and the department will explore the potential inclusion of fluctuating provisions in our contracts. Currently contractors are expected to take inflation into account when tendering, sharing this risk may attract greater interest for contractors to price and deliver.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 005e	Contract Engagement	We are looking to engage early with our contractors on a consultancy basis to obtain as much information as possible prior to contract.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 005f	Specification and Materials	Ensuring materials are readily available before and during the design phase and, if possible, procure in advance of the contract. Further consideration is being given to the origin of source materials to ensure supply.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 005g	Scope of works	In the event of the above mitigations being insufficient to contain the quantum of cost, some projects may need to be de-scoped, delayed or even cancelled. Should this action be required, there will be a knock-on impact on the delivery of departmental and corporate objectives. This will be kept under review.	Ola Obadara	21-Jun-2022	31-Mar-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>SUR SMT 007</b> <b>Energy Pricing</b>  <div>Page 40</div> 18-Oct-2021 Peter Collinson	<b>Cause:</b> Rapid increases in the market cost of energy <b>Event:</b> Increasing price born by the City of London Corporation <b>Impact:</b> Money directed to energy payments that could be used in other endeavours	 Likelihood Impact	<b>16</b>	Energy Prices have continued to remain at an extremely high level, this trend appears to be continuing into 23/24. This has created significant inflationary pressure in the current financial year and somewhat into 23/24. The purchasing strategy has managed this risk and is designed to provide a market reflective price.  The Power Purchase agreement is likely to provide over 50% of our power at substantially lower cost, alleviating this budgetary pressure. However, the construction of the Solar Farm by Votalia has been delayed by SSE grid connection issues, outside of our control. The PPA is now due for operation in October 22.  <b>15 Jun 2022</b>	 Likelihood Impact	<b>3</b>	31-Mar-2023	  Increasing
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 007a	Managing cost management	This element of the risk is being managed through the forward buying strategy, Power Purchase Agreement (PPA), and energy efficiency measures. A briefing note has been sent to the City Surveyor and Chamberlains. We are hedging the market by placing trades, to ensure a market reflective price, however there has been unprecedented volatility in the market over recent months. Higher prices are unavoidable, though the PPA will support a reduction in the average price of electricity post October 22.	Peter Collinson; Graeme Low	21-Jun-2022	31-Mar-2023



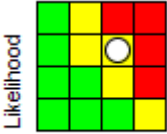
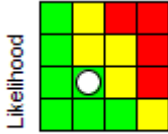

SUR SMT 007b	Managing supplier failure	The City is contracted with TGP energy, which is a large multi-national with risk divested across both supply and generation. TGP has a low portion of income generated from UK domestic customers (thereby minimising price capping implications).	Peter Collinson; Graeme Low	21-Jun-2022	31-Mar-2023
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
SUR SMT 009 Recruitment and retention of property professionals	<p><b>Cause:</b> Uncompetitive pay and benefits structures within some professional grades; poor quality work environments; lack of professional progression over recruitment freeze and restructuring period; increased employee focus on work-life balance</p> <p><b>Event:</b> Increasingly difficult to recruit suitably skilled staff at the correct level for the grade being recruited for. Increasingly difficulty to keep staff who get better reward packages from other organisation (both commercial and public sector)</p> <p><b>Impact:</b> Increased vacancies, objectives unachieved or delivered late (including project delivery and income generation), reduced customer satisfaction, less real estate activity, reduced employee wellbeing, demotivation of staff. Increased costs born by the organisation through recruitment campaigns and training etc, or to the department through filling vacancies through comparatively expensive temporary contracts.</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>This risk has been identified within a number of divisions within the City Surveyor's Department.</p> <p>Across the wider economy there is an increase in the amount of jobs being offered leading to greater competition for employees. This is putting greater focus on the wider 'offer' that is being provided by the CoL/CSD in comparison to our competitors.</p> <p>Building magazine have cited that there are currently 48k vacancies in the construction industry, the highest figure for two decades, and this is leading to 'poaching' of staff, with premiums of up to 25% provided.</p> <p>Employee research (Cushman &amp; Wakefield, JLL, Gensler) have highlighted that work-life balance is an increasing priority for staff so being aware of these evolving employee demands is critical.</p> <p>The cost of recruitment is also significant and can harm the overall position of the organisation. Much of this risk is outside the control of CSD, however the department continues to deliver actions to mitigate the risk where possible. Further, it has pro-actively with our corporate partners to seek further solutions.</p> <p>This departmental risk directly</p>	 <p>Likelihood</p> <p>Impact</p>	4		

21-Jan-2022				supports the Corporate Risk on “Skills & capacity of our people” on the Corporate Risk Register. <b>21 Jun 2022</b>				
							Reduce	Increasing

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 009a	Advertising	The department and the HR Business Partner has produced a recruitment best practice document, which includes ensuring that vacant posts are advertised in areas which will generate interest from suitably qualified candidates, including those currently under-represented within our workforce.	Rupert James; Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009b	Best Practice	Including delivery of appraisals, regular one-to-ones, team and group meetings. This aims to improve communications at all levels, ensuring that CSD is a positive work environment and that issues/blockers can be raised and addressed. In some areas career graded roles have been instituted, and deployment can be further explored.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009c	Communication	Quarterly meetings from the department’s Chief Officer so all staff feel engaged with the activities of the department.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009d	Engagement with HR	Some of the items highlighted as the ‘causes’ of this risk are outside the control of CSD, and engagement with our Corporate partners will be critical to overcoming these items. This departmental risk directly supports the Corporate Risk on “Skills & capacity of our people”.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009e	Equalities, Diversity and Inclusion	The department has an active ED&I network, which regularly engages with the City Surveyor and the Senior Management Team. This is seeking to make the department a more attractive destination for under-represented groups and seek to retain and progress staff from all backgrounds.	Ola Obadara	21-Jun-2022	31-Mar-2023
SUR SMT 009f	Pay and Review Survey	Review with HR the possibility of a refreshed Pay and Review survey. This was last undertaken in January 2018 by McDonald and Co and, as noted in the update, considerable market change has occurred since this time. A budget will need to be identified for this activity for it to progress.	Paul Wilkinson	21-Jun-2022	31-Mar-2023
SUR SMT 009g	Your Voice Matters Survey	The Your Voice Matters survey was undertaken earlier in 2022. Detailed results are now available and have been communicated to Directors. Analysis within the department have highlighted positives / areas for consideration, and particularly with respect of the second of these we are working with Corporate Colleagues to develop a response (these themes are reflected in the “risk cause” above.	Paul Wilkinson, Kaye Saxton-Lea, John	24-Jun-2022	31-Mar-2023

		<p>The department will be supporting the ‘roadshow’ activities scheduled for Summer/Autumn which will develop additional granularity.</p> <p>This action will help mitigate the ‘retention’ element associated with this risk.</p>	Galvin		
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>SUR SMT 002</b> <b>Insufficient budget to meet user and asset demand at Guildhall</b>  <div>Page 45</div> 10-Feb-2015 Peter Young	<b>Cause:</b> Insufficient funding available for Major Works, Cyclical Works and Reactive Maintenance to manage the repair demands on the Guildhall Complex. <b>Event:</b> Insufficient asset funding. <b>Impact:</b> The standard of the Guildhall Complex will deteriorate, resulting in; poorer working environments leading to increased dissatisfaction and lower employee productivity and potential increase in breakdowns and reactive costs as the basic infrastructure of the Complex becomes beyond economic repair.	 Likelihood Impact	12	<p>The principal mitigation actions are related to forecasting and monitoring the allocation of financial and human resources</p> <p>The department reviewed the prioritisation of major projects in light of covid-19 and the financial circumstances. This also considered the Guildhall Refurbishment and how this may impact projects. This review has been approved by CAsC/OPPSC.</p> <p>This risk has is influenced by other risks, notably the wider corporate risk - CR37 Maintenance and renewal of Physical Assets- Investment property and Corporate (operational) property (excluding housing assets)</p> <p><b>21 Jun 2022</b></p>	 Likelihood Impact	4	31-Mar-2023	 Constant
							Reduce	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 002e	Fundamental Review of the North and West Wings of Guildhall	Options for the future of the North and West Wings to provide modern, fit-for-purpose accommodation for Members and Officers is now underway.	Paul Wilkinson; Peter Young	21-Jun-2022	31-Mar-2023
SUR SMT 002f	Cross departmental working	Single point of contact for Profit and Loss created within the Remembrancer's.	Remembrancer; Peter	21-Jun-2022	30-Sep-2022

		Shadow budget now agreed. To commence this financial year 22/23.	Collinson; John James; Peter Young		
SUR SMT 002g	Maintenance Management	The department continues to work with Skanska, our Building Repairs and Maintenance Contractor, to review and improve the correct Planned Preventative Maintenance (PPM) regime.	Peter Collinson	19-Apr- 2022	31-Mar- 2023
SUR SMT 002j	Budget adjustment	The department is identifying how to maintain services across the complex in light of lower budget allocations for 2022/23.. This will identify areas where savings are being made and any changes in service to align to the new budget.	Peter Collinson; Peter Young	19-Apr- 2022	31-Mar- 2023

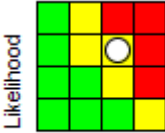
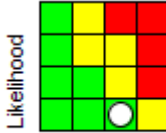

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
SUR SMT 003 Investment Strategy Risk  								

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 003a	<p>Macro-economic</p> <p>The strategy is to maintain a diverse portfolio that reduces the impact of this risk. This includes:</p> <ol style="list-style-type: none"> <li>1. Use (office, retail, industrial)</li> <li>2. Location (City, Southwark, West End etc.)</li> </ol>	The actions described are being undertaken and reviewed regularly with the Assistant Directors.	Nicholas Gill	21-Jun-2022	31-Mar-2023

	<p>3. Tenancies (Long term Headlease geared, FRI, directly managed)</p> <p>4. Covenants (multinationals, SME)</p> <p>5. Asset management (lease renewals, voids, arrears, etc)</p> <p>6. Monitoring retail habits in change of building use</p>				
SUR SMT 003b	<p>Portfolio</p> <p>Ensuring that the overall composition of the investment portfolio takes advantage of emerging segments of growth, whilst managing the exposure to property types which are showing reducing demand.</p>	This is achieved through regular market scanning, and the integration of learning into the Corporation's approach.	Nicholas Gill	21-Jun-2022	31-Mar-2023
SUR SMT 003c	<p>Climate Action</p> <p>The alignment of our portfolio with the future strategic needs of occupiers, particularly supporting their ESG (Environmental-Social-Governance) needs. Climate Action is principally managed through the Climate Action risk (SUR SMT 001). However, it is referenced here as there is a requirement to ensure that the properties offered by the City of London are meeting the emerging needs of tenants.</p>	Ensure that the properties offered by the COL are meeting the emerging needs of tenants.	Nicholas Gill	21-Jun-2022	31-Mar-2023
SUR SMT 003d	<p>Office risk</p> <p>A slow return of workers to the office may lower demand for office spaces, or the types of spaces required may necessitate additional works prior to letting</p>	<p>The department is monitoring the return to the office through data supplied by partners (such as football information), market research reports, and tenant feedback.</p> <p>The department continues to observe a 'flight to quality' – higher specified and higher quality spaces. Occupiers are increasingly considering their space as a tool in the 'war for talent'. Whilst some occupiers are downsizing their space, others are looking to create a better environment for staff through lower densities / improved amenities.</p> <p>The team is working with Corporate Colleagues in connection with the "Destination City" agenda and the Investment Property Director presented to the June RASC Away Day to highlight market trends.</p>	Nicholas Gill	21-Jun-2022	31-Mar-2023
SUR SMT 003e	<p>Retail</p> <p>Changes in consumer preferences (moving to on-line retail) which has been accentuated through the COVID-19 pandemic. Elements of the City portfolio is also dependent on tourism, which has seen a significant decline over the last 12+ months. The speed at which this return is yet to be understood.</p>	<p>The moratorium on enforcement action concluded in March 2022. Arrears built up from 03/20 – 07/21 will be ring-fenced for six months. Over this time the government is encouraging tenants and landlords to reach a commercial agreement pertaining to these arrears. Arrears outside of this period are being handled in line with existing process/procedures.</p> <p>The 'Covid-arrears' element of the risk was managed through the below. These actions were largely successful, and only a minor increase in voids manifest.</p> <ul style="list-style-type: none"> <li>. Move to monthly payments (offered to directly managed and FR&amp;I tenants).</li> <li>. Rent concessions for some tenants (Mar, Jun, Sep, Dec quarters). No further concessions are</li> </ul>	Nicholas Gill	21-Jun-2022	31-Mar-2023



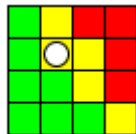
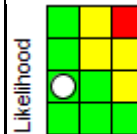

		proposed. . Engagement with peers to understand wider market impacts. . Regular arrears monitoring, including the provision of bi-monthly dashboards Rental collection snapshot is being produced by Chamberlain's Department.			
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>SUR SMT 006 Construction Consultancy Management</b>  14-Oct-2021 Ola Obadara	<b>Cause:</b> Poor performance by consultants <b>Event:</b> Abortive work, delays, or non-performance. <b>Impact:</b> Additional costs, project delays	 Likelihood Impact	<b>12</b>	This risk is being managed but it will take some time to resolve issues arising from contractors previously appointed. This relates to abortive design / development.  <b>21 Jun 2022</b>	 Likelihood Impact	<b>4</b>	30-Sep-2022	 Constant
							Reduce	

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
P a g e 5 0  SUR SMT 006a	Commissioning stage	The department has commenced going to market at RIBA stage 3 rather than RIBA stage 4. This will prevent abortive design and development. This change followed close work with the procurement team in Chamberlain's. The impact of this change will be tracked over the coming months.		Ola Obadara	23-Jun-2022	30-Sep-2022
SUR SMT 006b	Legal	The team is working closely with the legal department to ensure that procurement activity aligns with project objectives and the consultants meet quality requirements.		Ola Obadara	23-Jun-2022	30-Sep-2022

26-May-202226-May-2022

		to ensure comprehensive accuracy.			
SUR SMT 010b	Funding	<p>Funding will need to be identified. In earlier years this budget was met from CS Local Risk, however this budget line can no longer accommodate this spend.</p> <p>Where leases allow, the cost can be recovered from commercial tenants, and operational occupiers as appropriate. However, up front funding will need to be identified.</p>	Nicholas Gill; John James	26-May-2022	31-Mar-2023
SUR SMT 010c	Delivery	Deliver - Once funding has been identified	Nicholas Gill	26-May-2022	31-Mar-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>SUR SMT 008 Special Structures</b>  20-Oct-2021 Peter Young	<b>Cause:</b> Lack of central register for special structures and/or ambiguity over accountability, responsibility for budget provision <b>Event:</b> Incomplete, or not up-to-date register of special structures and planned maintenance regime <b>Impact:</b> Potential failure of special structure and/or forced closure of asset / space	 Likelihood Impact	6	Special structures relate to those structural elements with an asset which supports other (often public) elements, so captures basements, sub-road spaces, supporting structures etc.  There is no current central register of these structures within the portfolio, and therefore no current prescribed or routine inspection regime in place to ensure that these structures remain in a suitable condition.  <b>21 Jun 2022</b>	 Likelihood Impact	2	31-Mar-2023	 Constant
							Reduce	

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
SUR SMT 008a	Special Structures register	Funding to undertake the technical inspections, create the inventory and survey current condition was approved as part of the Cyclical Works Programme (CWP) 22/23 Bid List. The Operations Group is now developing detailed briefs for contractors. It is anticipated that the process will run through 2022 and, depending on the gap between current and desired condition, further funding bid requests may result.			Peter Collinson; Peter Young	21-Jun-2022	31-Mar-2023
SUR SMT 008b	Special structures – investment portfolio	Register for the investment estate exists but requires a refreshed survey to ensure on-going accuracy of information.			Peter Collinson; Nicholas Gill; Peter Young	21-Jun-2022	31-Mar-2023
SUR SMT 008c	Special structures – Barbican Estate	Corporate Property Group Director met with Barbican to discuss that all special structures across the Barbican are identified (not just tunnels) and that they will need to be recorded. Housing use a physical asset register system called Keystone and the rest of the portfolio (non-housing) is on Concerto (CAFM) managed by the City Surveyor.			Peter Collinson; Peter Young	21-Jun-2022	31-Mar-2023

		<p>The department's Operation's Group is reviewing whether the CAFM system is the right place to record the special structures once fully identified and inspected. Barbican Estate is considering Keystone for the Barbican special structures.</p> <p>For Barbican Estate and Housing, point to note is that Community and Children's Services have their own corporate maintenance contract and do not use the CSD corporate BRM contractor (Skanska). This adds a further layer of complexity for Barbican, where there is more than one maintenance contractor undertaking works (housing and non-housing).</p>			
SUR SMT 008d	Special Structures – other assets	Corporate Property Director and Operations Group Inspector to engage with other departments to ensure that there is clarity over responsibilities and what actions need to progress to mitigate this risk comprehensively across the City of London Corporation.	Peter Collinson; Peter Young	20-Apr-2022	31-Mar-2023

[illegible]

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 001a	Investment property	Investment Property Consultant appointed for the first phases. We are anticipating work commencement in September. This workstream will counter the possibility of low value / stranded assets.	Peter Collinson; Graeme Low	21-Jun-2022	31-Mar-2027
SUR SMT 001b	Corporate Property	Mobilisation largely complete facilitated by the delivery of the recruitment action. Housing	Peter	21-Jun-	31-Mar-

		and BEMS support will be in place in the coming weeks.	Collinson; Graeme Low	2022	2027
SUR SMT 001c	Capital Projects	Mobilisation in progress facilitated by the delivery of the recruitment action. Guidelines / brief requires clarification, and this is being resolved with the relevant internal leads. Whole Life Carbon assessments began from April 2022.	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027
SUR SMT 001d	Resilience	Mobilisation in progress facilitated by the delivery of the recruitment action. Climate Impact Modelling exercise started April 2022.	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027
SUR SMT 001f	Monitoring and awareness	Review of targets annually to reflect changing industry standards. This is related to the 'carbon factor' of the electricity grid, and how rapidly this de-carbonises. This may change the programme or prioritisation of works.	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027
SUR SMT 001g	Recruitment	There is a requirement to have a team of nine for climate action, but recruitment had been delayed by governance issues. The Centre of Excellence is largely in place (as per SUR SMT 001b). In addition, the department has two permanent posts within the team that are currently vacant – these are in the recruitment phase..	Peter Collinson; Graeme Low	21-Jun- 2022	31-Mar- 2027



<b>Committee</b>	<b>Date</b>
Property Investment Board	19 <sup>th</sup> July 2022
<b>Subject:</b> <b>Progress Update – Minimum Energy Efficiency Standards &amp; Net Zero Carbon Action Plan for Investment Property Portfolio</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	1,5,7,10,11,12
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	As approved under CAS for Y1 approved by Policy and Resources on 8 April 2021
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>Yes</b>
<b>Report of:</b> Paul Wilkinson, City Surveyor	<b>For Information</b>
<b>Report Author:</b> Edmund Tran	

## Summary

This report summarises the progress of a study being carried out by consultants Currie & Brown and WSP to implement tasks 1a, 1b, 2 and 4 (as listed in paragraph 3) of the Climate Action Strategy (CAS) Investment portfolio plan and update on related Climate Action Plan tasks. The study is progressing according to schedule. In addition, the recruitment of a Sustainable Property Specialist has been completed to manage this work and its outcomes as well as the overall CAS plan. A separate update report has been provided to BHE board in respect of the BHE investment property portfolio.

## Recommendations

The Property Investment Board is recommended to:

- i. Note the progress made with surveys, green leases and the recruitment of resource in support of the CAS IPG project plan.
- ii. Note the intended recruitment under officer delegated authority, in accordance with the budget already approved, of Capital Project Management Resource to ensure smooth progress of a pipeline of projects to achieve Energy Performance Certificate Grade B and “Carbon Net Zero”.

## Background and context

1. In January 2020, the City of London Corporation (City Corporation) set out on a fast-paced, cross-City Corporation journey to develop an ambitious Climate Action Strategy (CAS). At that point, the City Corporation needed to assess the carbon footprint across both its own varied property holdings, and across the Square Mile - as well as to develop a plan to achieve Net Zero by 2027 for scope 1 and 2 emissions and achieve Net Zero Carbon emissions across our investment and supply chains by 2040.
2. The CAS marked the start of a new and transformative programme of action. On 8th October 2020 the CAS was adopted by the Court of Common Council for the City Corporation. Fifteen costed project delivery areas have since been consolidated into ten project plans. In January 2021 PIB approved the Climate Action Project Initiation Documents and the appointment of external consultants to take forward the various workstreams to deliver the Climate action targets.
3. This paper provides an update for tasks 1a, 1b, 2, 3, 4 and 5 of the Investment Property Group Project Plan of the Climate Action Strategy. The tasks include:
  - **1a** – Undertake a Minimum Energy Efficiency Standards (MEES) risk and boundary assessment at asset level to deliver portfolio cost and risk profile.
  - **1b** – Identify costs required to upgrade major refurbishment works to Energy Performance Certificate (EPC) Grade B between 2022 and 2030.
  - **2** - Undertake a study to establish process, cost and benefit of an improved metering strategy.
  - **3** - Undertake green lease Memorandum of Understanding (MOU) pilot to generate a working template for portfolio roll-out
  - **4** – Design an operating plan to identify a pathway to 60% emissions reductions by 2040, identifying major milestones and investment strategy
  - **5c** – Recruitment of Sustainable Property Specialist resource to manage work flow.
  - **5d** - Recruitment of Capital Project Management resource
4. The general approach to this project includes the following:
  - **Data gathering** – including building floorplans, equipment schedules, Operating & Maintenance Manuals, landlord energy data, tenant energy data.
  - **Site Surveys** – To establish on the ground information regarding the existing mechanical, electrical and automation installation.
  - **Analysis and Recommendation** – Information gathered will be processed and developed into a list of interventions for both EPC Grade B with budgetary cost estimates, and a strategic plan for net zero.

## Current position

5. The specifications for the asset level survey to carry out a Minimum Energy Efficiency Standard (MEES) boundary analysis and a journey to Carbon Net Zero for directly managed and Full Repairing and Insuring (FRI) buildings has been agreed.
6. The procurement of this project has been concluded and two consultants have been appointed (WSP and Currie & Brown) to carry out the work for 143 buildings across two phases of work. The first phase (54 buildings) has been surveyed and 46 draft reports currently under review. The second phase (89 buildings) has commenced surveying with 21 buildings surveyed and awaiting draft reports. 22 Buildings have been confirmed as proceeding either to redevelopment or major refurbishment, therefore audit reports on the existing property will not be generated, but grade B and Net Zero will be incorporated into their specifications. This is summarised in APPENDIX B. An audit master schedule per fund is being produced which will incorporate these findings, identifying costs and action per property by fund.
7. The asset level surveys are expected to be completed by September 2022, including reports with recommendations. There are indications that Currie & Brown may be delayed due to resourcing issues. The project team as a result are carrying out mitigating actions such as a) chairing a director level meeting to underline the importance of meeting deadlines, b) investigating if WSP can satisfactorily absorb scope in good time. Other options will be explored in collaboration with all consultants involved.
8. An operating plan with a portfolio level summary of actions required for EPC Grade B by 2030 and Net Zero by 2040 is planned for Q4. A master schedule of interventions has been prepared in anticipation of this, and is being updated as reports become available.
9. Part of the scope of works includes developing a metering strategy, which will follow the data gathering and site visit exercises. This is expected to comprise a report summarising metering recommendations for the portfolio.
10. As per the CAS – a Sustainable Property Specialist has been appointed in the form of seconded consultancy from Arcadis recently. They have commenced immediate activities to support the project. This is providing a significant benefit in managing this project.
11. The year 2 plan for the tasks associated with the IPG Climate Action Plan has been approved at the P&R Committee on 5<sup>th</sup> May 2022. Adjustments were made to the delivery timeframe for the MEES and Net Zero surveys (IPG-1a, 1b, 2 and 4). This reflected the additional volume of surveys added as part of phase 2, and the impact of resource constraints in the marketplace, leading to slippage from the original timescales for these tasks.

12. As the results of surveys become available and an operating plan is developed, Project Management resource will be required in order to develop and install the measures required for EPC Grade B and Net Zero Carbon. This is outlined as task 5c in the CAS for the Investment Property Group in implementing the CAS. Recruitment has begun in earnest to resource the Project Management need.
13. The CAS includes Capital Projects (Design) standard and Resilient Building project plans. Design standards will include whole life cycle carbon assessments, net zero technology and design standards and post-occupancy evaluation process for use within the investment portfolio. Resilient Buildings will provide:
- Identification of resilience risks and constraints to implementation for the City Corporation's physical assets.
  - Development of Buildings Resilience Action Plan.
  - Dovetailing of identified interventions into existing estates/asset strategy.
14. Work has begun on the whole life cycle carbon assessments. Etude (consultants) have completed an initial scoping study to define the scope of the assessments based on the type, scale and stage and develop a checklist for assessments. We are currently finalising tenders for the first 5 assessments for current projects the results of which will inform the future approach.
15. The CO<sub>2</sub> footprint will be reviewed independently to assess the portfolio using best available data for FY20/21 and FY21/22. This work has been tendered and awarded to Arup/Achilles, who have commenced work, starting with data gathering. Scope 1&2 emissions are to be verified by July, and Scope 3 emissions by September.
16. Work has begun with external legal advisors Charles Russell Speechlys and the Comptroller & City Solicitor's Department in developing a template for Green Lease clauses, to be introduced to new upcoming leases. For existing leases, an Memorandum of Understanding (MOU) pilot is to be introduced as a pilot with interested tenants, as per task 3 of the project plan.

## **Corporate and strategic implications**

17. Strategic implications: This project, in addition to supporting the CAS directly, also supports delivery against the following outcomes in the City Corporation's Corporate Plan, 2018-23:
- Outcome 1: People are safe and feel safe
  - Outcome 5: Businesses are trusted and socially and environmentally responsible
  - Outcome 7: We are a global hub for innovation in financial and professional services, commerce and culture
  - Outcome 10: We inspire enterprise, excellence, creativity and collaboration
  - Outcome 11: We have clean air, land and water and a thriving and sustainable natural environment

- Outcome 12: Our spaces are secure, resilient and well-maintained.
18. The wider CAS strategy builds upon existing strategies and policies, including: The Responsible Business Strategy 2018-23, the Responsible Investment Policy, the City Procurement Strategy 2020-24, the Local Plan 2015, the draft City Plan 2036, the Air Quality Strategy 2015-20, the Climate Mitigation Strategy, the Carbon Descent Plan, It is aligned to ongoing reviews of our financial and property investment portfolio for all three funds.
  19. Financial Implications: Following the results of this work, costs for improvement of assets to EPC Grade B will be incorporated into asset plans [which will be reported for decision in due course].
  20. Resource Implications – There are no new resource implications beyond what was approved by Court on 8<sup>th</sup> October 2020. The overall budget envelope for Y1 has been confirmed by Policy and Resources (P&R) on 8<sup>th</sup> April 2021. This report confirms the expenditure within that agreed budget, specifically recruitment of a Sustainable Property Specialist to support the CAS Programme item 5b, as highlighted in task 5c and the intention to recruit staff resource to fulfil the Project Management Role in task 5d.
  21. Risk Implications – To manage risk effectively in the programme, all projects have a risk register and the overall risks are controlled through a corporation level risk CR30 – Climate Action Strategy.

## Conclusion

23. Year 1 of the CAS NZ4 plan has proceeded as per schedule. The recruitment of Capital PM resource is essential to the continued progress of this project plan and will now be taken forward.

## Report author

### Edmund Tran

Senior Energy Engineer

City Surveyor's Department

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