



Property Investment Board

Date: FRIDAY, 23 SEPTEMBER 2022
Time: 11.00 am
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:

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

Enquiries: John Cater
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Accessing the virtual public meeting

Members of the public can observe this virtual public meeting

A recording of the public meeting will be available 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

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 19th July 2022.

For Decision
(Pages 5 - 10)

4. **THE CITY SURVEYOR'S DEPARTMENTAL RISK REGISTER - SEPTEMBER UPDATE**

Report of the City Surveyor.

For Information
(Pages 11 - 36)

5. **CITY SURVEYOR'S BUSINESS PLAN 2022-27 - QUARTER 1 2022/23 UPDATE**

Report of the City Surveyor.

For Information
(Pages 37 - 52)

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

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

8. **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

9. NON-PUBLIC MINUTES

To approve the non-public minutes of the Property Investment Board meeting held on 19th July.

For Decision
(Pages 53 - 58)

ALL ESTATES

10. CITY'S ESTATE AND CITY FUND RENTAL ESTIMATES MONITORING REPORT - JUNE 2022 QUARTER

Report of the City Surveyor.

For Information
(Pages 59 - 64)

11. ORACLE PROPERTY MANAGER (OPN) REPLACEMENT

Report of the City Surveyor.

For Information
(Pages 65 - 70)

12. REPORT OF ACTION TAKEN BETWEEN MEETINGS

Report of the Town Clerk.

For Information
(Pages 71 - 78)

CITY'S ESTATE

13. CITY'S ESTATE - SALE OF LONG LEASES AT STORE STREET - REQUEST FOR DELEGATED AUTHORITY

Report of the City Surveyor.

For Decision
(Pages 79 - 80)

CITY FUND ESTATE

14. CITY FUND - LONDON WALL WEST - REDEVELOPMENT OF BASTION HOUSE/MUSEUM OF LONDON SITE ON 140-150 LONDON WALL

Report of the City Surveyor.

For Decision
(Pages 81 - 88)

15. **CITY FUND - LEADENHALL MARKET - EXPANSION OF LEASE TERMS**

Report of the City Surveyor.

For Decision
(Pages 89 - 98)

16. **CITY FUND – REFURBISHMENT/EXTENSION OF 1-6 BROAD STREET PLACE
AND 15-17 ELDON STREET**

Report of the City Surveyor.

For Decision
(Pages 99 - 136)

17. **NON-PUBLIC APPENDIX (F) TO CITY SURVEYOR'S BUSINESS PLAN 2022-27 -
QUARTER 1 2022/23 UPDATE REPORT (ITEM 5)**

For Information
(Pages 137 - 138)

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

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

PROPERTY INVESTMENT BOARD

Tuesday, 19 July 2022

Minutes of the meeting of the Property Investment Board held at Guildhall, EC2
on Tuesday, 19 July 2022 at 10.00 am

Present

Members:

Deputy Andrien Meyers (Chair)
Deputy Randall Anderson (Deputy Chairman)
Deputy Christopher Hayward
Paul Singh
Alderman & Sheriff Alison Gowman
Deputy Madush Gupta

In attendance virtually

Deputy Ann Holmes

Officers:

Richard Holt	- Town Clerk's Department
Ben Dunleavy	- Town Clerk's Department
Ellen Fouweather	- Town Clerk's Department
John James	- Chamberlain's Department
Alan Bennetts	- Comptroller & City Solicitor's Department
Paul Wilkinson	- City Surveyor
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 Galvin	- City Surveyor's Department
Edmund Tran	- City Surveyor's Department
Oliver Mayes	- City Surveyor's Department

1. **APOLOGIES FOR ABSENCE**

Apologies were received from the Martha Grekos and Deputy James Thomson.

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

Alderman and Sheriff Gowman declared an interest regarding the Aldersgate Flame in relation to Item 20.

Deputy Christopher Hayward made a declaration of his role as a consultant employed by the engineering services company WSP in relation to Item 6.

3. **MINUTES**

The Board considered the public minutes and non-public summary of the previous meeting of the Property Investment Board held on the 20th of June.

RESOLVED– That the public minutes of the Property Investment Board meeting held on 20th of June be approved as an accurate record.

4. ***CITY SURVEYOR'S BUSINESS PLAN 2021-26 QUARTER 4 2021/22 UPDATE**

The Board received a report of the City Surveyor on the City Surveyor's Business Plan 2021-26 Quarter 4 2021/22 Update.

RESOLVED- That the report be noted.

5. ***CITY SURVEYOR'S DEPARTMENTAL RISK REGISTER -JUNE 2022 UPDATE**

The Board received a report of the City Surveyor on the City Surveyor's Departmental Risk Register June 2022 Update.

RESOLVED- That the report be noted.

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

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

RESOLVED- That the report be noted.

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

There were no questions.

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

The City Surveyor provided an update to the Board in public session on the London Wall West redevelopment. The Board noted the distinction between the role of Property Investment Board as the sponsoring body for the development and the Planning and Transportation Committee as the authority to whom the Court of Common Council has delegated responsibility to determine planning applications.

The City Surveyor confirmed that the whole life embodied carbon report had concluded that over the long term redevelopment was more energy sufficient than a refurbishment and added that this report had been published earlier than was standard practice. In addition, it was confirmed that residential development as part of the redevelopment had been considered but that completing an further options study would be a significant supplementary piece of work. It was observed by a Member of the Board that there were major risks in delaying the refurbishment. The Deputy Chairman commented that it was

important for the Board, as it is newly constituted, to be fully aware of the risks associated with this project and noted that the public consultations were not as effective as they could have been. The City Surveyor informed that the Board had, in 2021, approved a report recommending that the London Wall West site be refurbished with a predominately commercial accommodation without any element of residential.

9. **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.

10-20

Paragraph No.

3

10. **NON-PUBLIC MINUTES**

The Board considered the non-public minutes of the previous meeting of the Property Investment Board held on the 20th of June.

RESOLVED – That the non-public minutes of the Property Investment Board meeting held on the 20th of June be approved as an accurate record.

11. **LONDON WALL WEST - REDEVELOPMENT OF BASTION HOUSE/MUSEUM OF LONDON SITE ON 140-150 LONDON WALL (CITY FUND)**

The Board considered a report of the City Surveyor on the London Wall West - Redevelopment of Bastion House/Museum of London site on 140-150 London Wall (City Fund).

RESOLVED- That the report be approved.

12. ***CITY SURVEYOR REVENUE OUTTURN 2021-22**

The Board received a report of the City Surveyor on the City Surveyor Revenue Outturn 2021-22.

RESOLVED- That the report be noted.

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

The Board received a report of the City Surveyor on the City Fund & City's Estate Quarterly Delegated Authorities Update 1st April to 30th June 2022.

RESOLVED- That the report be noted.

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

The Board received a report of the City Surveyor on the City's Estate & City Fund 21/22 Cyclical Works Revenue Outturn Report.

RESOLVED- That the report be noted.

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

The Board received a report of City Surveyor on the City's Estate and City Fund: Vacant Accommodation Update as at 1st June 2022.

RESOLVED- That the report be noted.

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

The Board received a report of the City Surveyor regarding the City's Estate and City Fund: Vacant Accommodation Update as at 1st June 2022.

RESOLVED- That report be noted.

17. *REPORT OF ACTION TAKEN BETWEEN MEETINGS

The Board received a report of the Town Clerk which provided a report of the action taken between meetings of the Board in accordance with Standing Order 41.

RESOLVED- That the report be noted.

18. CITY'S ESTATE: REFURBISHMENT/EXTENSION OF: THE COURTYARD - 1 ALFRED PLACE, W1

The Board considered a report of the City Surveyor on the Refurbishment/Extension of: The Courtyard 1 Alfred Place.

RESOLVED- That the report be approved.

19. 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

The Board considered a report of the City Surveyor on the 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.

RESOLVED- That the report be approved.

20. CITY'S ESTATE: NEW BROAD STREET HOUSE, 35 NEW BROAD STREET / IRONGATE HOUSE, 30 DUKES PLACE - LEASE RESTRUCTURE FOR A CAPITAL PREMIUM & LEASEHOLD ACQUISITION

The Board considered a report of the City Surveyor on the City's Estate: New Broad Street House, 35 New Broad Street/Irongate House, 30 Dukes Place Lease Restructure for a Capital Premium & Leasehold Acquisition.

RESOLVED- That the report be approved.

21. CITY FUND - HEADLEASE VARIATION - 95 QUEEN VICTORIA STREET, LONDON, EC4

The Board considered a report of the City Surveyor on the City Fund Headlease Variation 95 Queen Victoria Street, London, EC4.

RESOLVED- That the report be approved.

22. **CITY FUND - REFURBISHMENT/EXTENSION OF 6 BROAD STREET PLACE AND 15-17 ELDON STREET**

The Board considered a report of the City Surveyor on the City Fund Refurbishment/Extension of 6 Broad Street Place and 15-17 Eldon Street.

RESOLVED- That the report be approved.

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

The Board received one question in the public session.

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

There were two items of urgent business considered in the non-public session.

25. **CITY SURVEYOR'S DEPARTMENT TOM RESTRUCTURING 2022 FINAL PLAN**

The Board considered a report of the City Surveyor on the City Surveyor's Department TOM Restructuring 2022 Final Plan.

RESOLVED- That the report be approved.

The meeting ended at 12.03 pm

Chair

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

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Committee(s)	Dated:
Property Investment Board – For information Operational Property and Projects Sub Committee – For information	23 September 2022 26 September 2022
Subject: The City Surveyor's Departmental Risk Register – September Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	4, 7, 11, 12
Does this proposal require extra revenue and/or capital spending? N/A	N
If so, how much? N/A	N/A
What is the source of Funding? N/A	N/A
Has this Funding Source been agreed with the Chamberlain's Department? N/A	N/A
Report of: The City Surveyor (CS 270/22)	For Information
Report author: John Galvin / Faith Bowman 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. There are a further eight risks on its Departmental Risk Register. 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)

Recommendation(s)

Members are asked to note this report, and the actions taken within the City Surveyor's Department to effectively monitor and manage risks arising from our operations.

Main Report

Background

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 register 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 and Departmental Risks as Appendix 1 to this report.
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 and five amber risks. The details of each of these are included in Appendix 1.
7. 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

8. The key items to note for this period are summarised below:
 - A. CR 37 – Investment property and Corporate (operational) property (excluding housing assets)
Current score – 16 (Red)

This risk remains on the Corporate Risk Register, reflecting the disparity between the asset requirements and the available funds required to meet or maintain this standard. The department will be meeting with the Chair and

Deputy Chair of OPPSC to discuss this further, particularly in relation to the Cyclical Works Programme (CWP) funds.

B. SUR SMT 001 – Climate Action Strategy
Current score – 2 Green

This risk has been de-escalated from the departmental risk register. Recruitment actions have been successful, and the mobilisation of the various workstreams can now pick up at pace. Consequently, the programme is confident that it can meet its milestones. The department continues to support the Corporate risk (CR30) Climate Action.

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 are being kept under close review.

Heatmap

9. 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 (right). A comparison with the those presented at the last report (July) is included as the table on the left. Note that the table includes the Corporate Risk that is being managed by the department.
10. The Heatmaps do not track individual risks over time, rather it is a snapshot comparison of the overall risk profile. Members will note the one fewer risk overall 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			4	
Possible		1	4	
Unlikely				
Rare				

Table 2: September 2022 Risk Heatmap

Conclusion

11. 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 – The City Surveyor's Department's Corporate Risk and Departmental Risk Register

Background Papers

- The City Surveyor – The City Surveyor's Departmental Risk Register – July Update (CS 219/22)

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: 15 August 2022



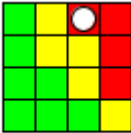
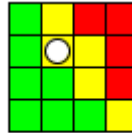

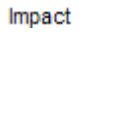
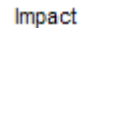
Rows are sorted by Risk Score

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
P0037 Physical Assets- Investment property and Corporate (operational) property (excluding housing assets) 04-Nov-2019 Paul Wilkinson	Cause: Poor property condition combined with insufficient budget to maintain assets in line with commitments/expectations. Event: 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 Impact: 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 results from both a workshop with the Executive Leadership Board (ELB) and a risk arising from the departmental risk register. The mitigation captures the 5 repairs and maintenance funding streams: . Cyclical Works Programme (CWP) . Ring-fenced properties . Local maintenance budgets . Major Capital projects . Investment estate revenue programme Note that the majority of this risk relates to the Corporate (operational) properties (excluding housing) 12 Aug 2022	 Likelihood Impact	4	31-Mar-2023	<div> <div></div> </div>
							Reduce	Constant

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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR37a	Cyclical Works Programme (CWP)	<p>The CWP bid for 23/24 is circa £34m. These works are essential to keep the operational properties in a good standard.</p> <p>Funding allows the progression of £12m of works (exclusively compliance & emergency H&S works). This figure includes inflation allowance.</p> <p>The department will be holding a meeting with the Chair & Deputy Chair of Operational Property and Projects Sub Committee (OPPSC) to discuss the shortfall.</p> <p>The Resource Allocation Sub Committee (RASC) Away Day discussed the maintenance requirement of the City's properties and is seeking further prioritisation guidance (aligned to a refreshed Corporate Plan).</p>	Peter Collinson	12-Aug-2022	31-Mar-2023
CR37b	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. Whilst there has been progress in some areas, the actions have not been implemented comprehensively across the Corporation. The department is engaging with the Town Clerk to progress a resolution.</p> <p>The master planning of certain sites (such as the Boys' School) helps add clarity around required spend.</p>	Peter Collinson; Peter Young	12-Aug-2022	31-Mar-2023
CR37c	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	12-Aug-2022	31-Mar-2023
CR37d	Revenue Programme (Investment Estate Only)	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. 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,	Nicholas Gill	12-Aug-2022	31-Mar-2023

		making the condition of our assets critical to future income.			
CR37f	Annual Major Capital Bids	<p>The City Surveyor's Department is progressing major capital projects, and these projects are all essential to keep the operational estate including the Guildhall in a good standard. Significant works have been identified from the recent Smithfield Market Condition Survey and if not funded present a live Health and Safety risk. Some departments submit their own bids based upon advice from the City Surveyor. If more H&S works are required this limits the scope for further improvement projects.</p> <p>Over the August period all projects are being reviewed to consider the impact of increased inflation, together with any mitigations in place. For projects pre-GW5 further assessments are being undertaken to consider the balance between desirable/mandatory and any timing constraints.</p> <p>There will be no capital bids for 2023/24 – however there will be a small emergency funding pot should any immediate H&S issue arise.</p>	Peter Collinson; Nicholas Gill; Peter Young	12-Aug-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 005 Construction Price Inflation	Cause: Market conditions have led to input price inflation Event: Project and programme cost escalation Impact: Inability to delivery capital and revenue projects within budget	 Likelihood	16	<p>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”.</p> <p>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.</p> <p>We are currently experiencing the following issues:</p> <ul style="list-style-type: none"> . 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. . Market interest – contractors are being selective, and often declining to tender. . Shortage of labour and materials – manifesting in significant increases in prices (tendered projects are often circa 20% above the pre-tender estimate). <p>As a headline, tender prices are forecast to rise by over 21% between now and Q1 2026.</p> <p>There is the risk that there are further price rises. This will lead to some</p>	 Likelihood	6	31-Mar-2023	
		 Impact			 Impact			

14-Oct-2021 Ola Obadara				<p>cancelled projects, or projects facing uplifts in costs. This therefore has a knock-on impact on other corporate priorities which require project delivery.</p> <p>These increased costs may impact the organisation's ability to deliver capital and revenue projects within budget.</p> <p>The department has been working with Corporate colleagues, and this has resulted in the project review process being undertaken through August.</p> <p>12 Aug 2022</p>				Reduce	Constant
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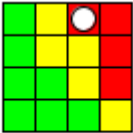
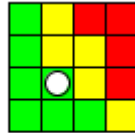

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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 005a	Procurement Strategy	<p>The department is working with legal and procurement to identify different buying options, thereby managing the risk to the department / organisation. This exploration included a review of the prior Single Stage tender process (which had been preferred for medium range projects - £2m - £50m).</p> <p>Following the review Two Stage contracts will be used more frequently. This is the current market norm for these projects. The change enables contractors to better transfer their risk and leaves the City with a degree of cost uncertainty, even post Gateway 5. Whilst this transfer is not desired, it offers far better market coverage and reflects the prevailing external conditions. This will be kept under review.</p>	Ola Obadara	12-Aug-2022	31-Mar-2023
SUR SMT 005c	Capital Project Review	<p>Over the August period all projects are being reviewed by the Chair & Deputy of OPPSC to consider the impact of increased inflation, together with any mitigations in place.</p> <p>For projects pre-GW5 further assessments are being undertaken to consider the balance between desirable/mandatory and any timing constraints. The department is pro-actively engaging in this process.</p> <p>Outcomes from this process are due in September.</p>	Ola Obadara	12-Aug-2022	30-Sep-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	15-Aug-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	15-Aug-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	15-Aug-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	15-Aug-2022	31-Mar-2023

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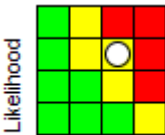
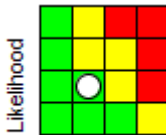
		<p>Purchase Agreement (PPA), and energy efficiency measures.</p> <p>A briefing note has been sent to the City Surveyor and Chamberlains. We are hedging the market by placing trades, to ensure a market reflective price, however there has been unprecedented volatility in the market over recent months. Higher prices are unavoidable, though the PPA will support a reduction in the average price of electricity post October 22.</p>	Collinson; Graeme Low	2022	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	15-Aug-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 009 Recruitment and retention of property professionals	<p>Cause: 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>Event: 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>Impact: 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>This is aligned to pressures faced in other City departments, and CSD is making further representations such that this risk is captured across the organisation.</p> <p>Across the wider economy there is an increase in the number 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 & 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</p>	<p>Likelihood</p>  <p>Impact</p>	4		

21-Jan-2022				continues to deliver actions to mitigate the risk where possible. Further, it has pro-actively with our corporate partners to seek further solutions.				
				12 Aug 2022			Reduce	Constant

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.	Matthew Porpiglia; Paul Wilkinson	15-Aug-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	15-Aug-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	15-Aug-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 focus on the "Skills & capacity of our people".	Paul Wilkinson	15-Aug-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	15-Aug-2022	31-Mar-2023
SUR SMT 009f	Pay and Review Survey	The Corporation is reviewing pay & reward, and wherever possible, CSD will feed into this process. The department has highlighted that there are specific pressures within this department which may make the issue more acute within CSD roles. The organisation has offered staff a pay settlement for 2022/23. Both unions were unable to recommend this offer to their members.	Paul Wilkinson	15-Aug-2022	31-Mar-2023
SUR SMT 009g	Staff Survey 2022	The Your Voice Matters survey was undertaken earlier in 2022. Detailed results are now	Paul	12-Aug-	31-Mar-

		<p>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.</p> <p>The department will be supporting the ‘roadshow’ activities scheduled for Summer/Autumn which will develop additional granularity. This action will help mitigate the ‘retention’ element associated with this risk.</p>	Wilkinson	2022	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 002 Insufficient budget to meet user and asset demand at Guildhall <div>Page 26</div> 10-Feb-2015 Peter Young	Cause: Insufficient funding available for Major Works, Cyclical Works and Reactive Maintenance to manage the repair demands on the Guildhall Complex. Event: Insufficient asset funding. Impact: 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	The principal mitigation actions are related to forecasting and monitoring the allocation of financial and human resources 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 OPPSC. 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). 15 Aug 2022	 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. Gateway 2 Issue Report due to be reported to Members in Sep/Oct 2022	Paul Wilkinson; Peter Young	12-Aug-2022	31-Mar-2023
SUR SMT 002f	Cross departmental working with Remembrancer's Events Team.	Single point of contact for Profit and Loss for event space created within the Remembrancer's.	Remembrancer; Peter	15-Aug-2022	30-Sep-2022

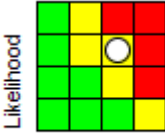
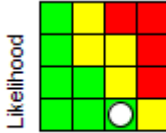
		Shadow budget now agreed. Shadow accounts being monitored by Chamberlain's this financial year.	Collinson; John James; Peter Young		
SUR SMT 002g	Maintenance Management	The department continues to work with Skanska, our Building Repairs and Maintenance Contractor, to review and improve the correct Planned Preventative Maintenance (PPM) regime.	Peter Collinson	15-Aug- 2022	31-Mar- 2023
SUR SMT 002j	Budget adjustment	The department has identified how to maintain services across the complex in light of lower budget allocations for 2022/23. This will include FM areas where savings are being made and any changes in service to align to the new budget.	Peter Collinson; Peter Young	12-Aug- 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"> 1. Use (office, retail, industrial) 2. Location (City, Southwark, West End etc.) 	The actions described are being undertaken and reviewed regularly with the Assistant Directors.	Nicholas Gill	15-Aug-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	15-Aug-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	15-Aug-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	15-Aug-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"> . Move to monthly payments (offered to directly managed and FR&I tenants). . Rent concessions for some tenants (Mar, Jun, Sep, Dec quarters). No further concessions are 	Nicholas Gill	15-Aug-2022	31-Mar-2023

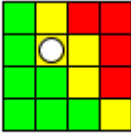
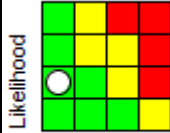

		proposed. . Engagement with peers to understand wider market impacts. . Regular arrears monitoring, including the provision of bi-monthly dashboards Rental collection snapshot is being produced by Chamberlain's Department.			
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Risk no, title, creation 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
SUR SMT 006 Construction Consultancy Management 14 Oct-2021 Ola Obadara	Cause: Poor performance by consultants Event: Abortive work, delays, or non-performance. Impact: Additional costs, project delays	 Likelihood Impact	12	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. Aligned with other departmental risks, the department is stretched for resource. This had led to fewer leads being responsible for a greater number of projects. This reduces scrutiny capacity and can increase the likelihood of errors. 12 Aug 2022	 Likelihood Impact	4	31-Mar-2023	Constant
							Reduce	

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
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	15-Aug-2022	31-Mar-2023
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	15-Aug-2022	31-Mar-2023

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	15-Aug-2022	31-Mar-2023
SUR SMT 010c	Delivery	Deliver - Once funding has been identified.	Nicholas Gill	15-Aug-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 008 Special Structures 20-Oct-2021 Peter Young	Cause: Lack of central register for special structures and/or ambiguity over accountability, responsibility for budget provision Event: Incomplete, or not up-to-date register of special structures and planned maintenance regime Impact: Potential failure of special structure and/or forced closure of asset / space	 Likelihood	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. 15 Aug 2022	 Likelihood	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. Note that this action is subject to the availability of funding (CWP bid process, as outlined in action CR37a).			Peter Collinson;	12-Aug-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;	15-Aug-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	15-Aug-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	15-Aug-2022	31-Mar-2023

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Committee(s)	Dated:
Property Investment Board – For information Operational Property and Projects Sub Committee – For information	23 September 2022 26 September 2022
Subject: City Surveyor's Business Plan 2022-27 Quarter 1 2022/23 Update	Report – public Appendix A to E – public Appendix F – non-public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	4, 7, 11, 12
Does this proposal require extra revenue and/or capital spending? N/A	N
If so, how much? N/A	N/A
What is the source of Funding? N/A	N/A
Has this Funding Source been agreed with the Chamberlain's Department? N/A	N/A
Report of: The City Surveyor (CS 271/22)	For Information
Report author: 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 1 (April to June) 2022/23 against the 2022-27 Business Plan.

The report also provides details of quarter 4 performance against one measure which was not available at the time of the prior report (July – CS 220/22).

Of the thirteen key performance indicators being monitored nine were assessed as being green, on target, two indicators will be assessed in quarters 2 and 4, and one measure is assessed annually. There was one indicator which was marginally behind target for the period.

Against a local risk budget of £30.3m, the City Surveyor is forecasting an overspend of £3.5m (11.6%). Of this overspend, £1.8m relates to anticipated inflationary increases for energy and other corporate contracts. The department is working to mitigate the overspend.

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 1 of 2022-23 (April to June) against the 2022-27 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 and progress against Climate Action Strategy (investment property) milestones is included in Appendix E.
3. In order to reduce paperwork for both Members and Officers, the Rent Reviews/Lease Renewals has been included as Appendix F. In the future, Arrears and Vacancies will also be reported as Appendices to this report. Please note that these appendices are non-public.
4. A separate monitoring report on the risks within the department is also circulated for this meeting.

Financial Statement

5. Appendix A reveals that against a total local risk budget of £30.3m for the year, the City Surveyor is forecasting an overspend of £3.5m (11.6%). Of this overspend, £1.8m relates to anticipated inflationary increases for energy and other corporate contracts. The Chamberlain advises that central provision has been made for these costs and budgets will be allocated in period 10 when the actual costs are clearer.
6. The remaining £1.7m overspend comprises a £0.7m on the departmental budget in respect of the balance of the 12% Target Operating Model (TOM) savings yet to be made; a £0.5m overspend on City Fund Estate due to additional business rates costs and reduced service charge recovery due to voids; a £0.2m overspend on Guildhall budgets due to additional agency costs for security and loss of income from 65a Basinghall Street due to a void; and a £0.3m overspend on the Central Criminal Court due to extra cleaning and security resulting from the pandemic.
7. Work is being undertaken by the City Surveyor to reduce this forecast overspend. A report to address the remaining TOM savings will be considered by Corporate Services committee in September and efforts are being made to take the City Fund Estate properties under refurbishment out of rating to reduce the rates liability. Savings are also being sought on other budgets lines to mitigate the overspend.

Quarter 4 2021/22 update

8. KPI. 12 – Outperformance MSCI – The Morgan Stanley Capital Index (MSCI) property performance was not reported on in the previous quarterly monitoring report (Q4 2021/22) as the data was still being finalised.
9. The measure is assessed against a ‘rolling five-year’ period to smooth out short-term fluctuations. Over this time the ‘house fund’ outperformed the benchmark and is therefore assessed as being green. Further detail is contained in the “Performance Monitoring of Property Investment Portfolios” report to PIB (CS 234/22)

Quarter 1 2022/23 update

10. 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 1.

Status ¹	Green	Amber	Red	TBC	N/A
Operational Property and Projects Sub Committee	6	1			2
Property Investment Board	7				2
Overall ²	9	1			3

11. Of the thirteen KPIs monitored, nine were assessed as being on target (green), and one was marginally behind target (amber). Three further measures are reported either bi-annually or at the end of the reporting year.

12. The amber KPI is as follows:

A. Delivery of Climate Action Strategy (CAS) Milestones – Operational Estate (OPPSC)

Target – 5% year-on-year reduction in scope 1 and 2 carbon emissions from corporate properties and landlord areas

Performance – 5% increase compared to the same quarter 2021/22

The baseline comparator (April to June 2021) was impacted by lockdowns which artificially suppressed the use of energy and thereby impacted carbon emissions. Looking further back (to the equivalent period in 2018/19) there is a decrease in weather related consumption of 13%, and the team is confident that the long-term CAS targets will be met.

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

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

13. Members will note that this year we are reporting on two Climate Action Strategy measures – one focussing on corporate properties and landlord areas and one on the investment portfolio. We are awaiting the completion of the carbon footprinting exercise, due to complete in September 22, which will allow us to track the decarbonisation progress from financial years 2018/19 through to 2021/22. We will continue to report progress on tasks and include carbon progress when finalised. Further details on the action plan are included in Appendix E.

Conclusion

The first quarter of 2022/23 was positive in terms of performance, with no measures behind target for the period.

Appendices

- Appendix A Budget Monitoring Statement
- Appendix B Key Performance Indicator Table
- Appendix C Headline Performance Charts
- Appendix D Market Commentary
- Appendix E Climate Action Strategy – Investment Portfolio
- Appendix F Rent Reviews and Lease Renewals (non-public)

Background Papers

- The City Surveyor The City Surveyor's Business Plan 2022-27 (CS 454/21)

Faith Bowman

John Galvin

Departmental Performance & Services
City Surveyor's Department

E: john.galvin@cityoflondon.gov.uk

Budget Monitoring Statement Quarter 1 2022/23

Appendix A Page 1 of 1

Budget Monitoring Statement

LOCAL RISK BUDGET Quarter Ending 26th June 2022	Latest Approved Budget £000	Quarter 1 Profile £000	Quarter 1 Total Expenditure £000	Under / (Over) Spend for Period £000	Quarter 1 Projected Outturn £000	Under / (Over) Spend for 2022-23 £000	Note
City Fund							
City Fund Estate & Leadenhall	(2,147)	(412)	(1,165)	(753)	(2,697)	(550)	1
Walbrook Wharf	(931)	(233)	(240)	(7)	(1,046)	(115)	2
Mayor's & City of London Court	(20)	(5)	(7)	(2)	(26)	(6)	
Central Criminal Court	(327)	0	0	0	(577)	(250)	3
Recoverable Projects	0	0	0	0	0	0	
Lower Thames St Roman Bath	(7)	(2)	(1)	1	(2)	5	
R&M & MI Work for other departments	(1,255)	(308)	(294)	14	(1,282)	(27)	
Corporate FM cleaning & security	(90)	(22)	(30)	(8)	(116)	(26)	
	(4,777)	(982)	(1,737)	(755)	(5,746)	(969)	
City's Cash							
City's Cash Estate	(3,281)	62	(4)	(66)	(3,281)	0	
Departmental	(8,897)	(2,223)	(2,452)	(229)	(9,604)	(707)	4
Mayoralty & Shrievalty	(93)	(17)	(3)	14	(73)	20	
R&M & MI Work for other departments	(1,836)	(460)	(440)	20	(1,868)	(32)	
Corporate FM cleaning & security	(602)	(150)	(161)	(11)	(643)	(41)	
	(14,709)	(2,788)	(3,060)	(272)	(15,469)	(760)	
Guildhall Administration							
Guildhall Complex	(7,774)	(1,943)	(2,173)	(230)	(9,569)	(1,795)	5
	(7,774)	(1,943)	(2,173)	(230)	(9,569)	(1,795)	
Sub Total	(27,260)	(5,713)	(6,970)	(1,257)	(30,784)	(3,524)	
Central Funding for Energy and Contractual inflation						1,847	6
Total City Surveyor City Fund & City's Cash	(27,260)	(5,713)	(6,970)	(1,257)	(30,784)	(1,677)	
Bridge House Estates							
Bridge House Estates	(2,765)	(520)	(413)	107	(2,765)	0	
Tower Bridge Corporate FM cleaning	(262)	(65)	(65)	0	(262)	0	
	(3,027)	(585)	(478)	107	(3,027)	0	
Total City Surveyor incl Bridge House Estates	(30,287)	(6,298)	(7,448)	(1,150)	(33,811)	(1,677)	

1. City Fund Estate forecast overspend largely due to empty rates and reduced service charge income. This is partly offset by a reduction in expenditure for Eldon St, 6 Broad St Place and Fleet St.
2. Walbrook Wharf is forecasting an overspend due to an anticipated rise in energy costs.
3. The overspend is due to extra cleaning and security partly due to a new regime adopted in the pandemic.
4. The departmental overspend is due to some elements of the 12% savings target yet to be made. Remaining Target Operating Model (TOM) savings are being considered by the Corporate Service Committee in September.
5. The Guildhall forecast includes energy costs increase of £1.5m, higher agency costs, and loss of income for 65a Basinghall Street due to a void.
6. The Chamberlain advises that provision has been made centrally for inflation both in respect of energy and corporate contracts. Budgets will be drawn down in period 10 when actual costs are clearer.

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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	£19.6m	CPG	OPPSC	on target	green						
KPI. 2	Space Utilisation*	£4,728	CPG	OPPSC	n/a	n/a						
KPI. 3	Delivery of Climate Action Strategy Milestones - operational estate	<5%	OG	OPPSC	5.00%	amber						
KPI. 4	Delivery of Climate Action Strategy Milestones - investment property	on schedule	OG	PIB; OPPSC	on target	green						
KPI. 5	Property contract Performance Compliance	>90%	OG	OPPSC	98.52%	green						
KPI. 6	Adherence to Budgetary Spend Profiles	95% - 105%	All	PIB; OPPSC	17.03%	green						
KPI. 7	Capital Project - Project Risk Status	<20%	PPG	PIB; OPPSC	20.00%	green						
KPI. 8	Capital Project- Health & Safety*	80%	PPG	PIB; OPPSC	n/a	n/a						
KPI. 9	Capital Project - Site sustainability waste management	>90%	PPG	PIB; OPPSC	97.00%	green						
KPI. 10	Rental Forecasts	£94.19m	IPG	PIB	£94.39m	green						
KPI. 11	Minimise Arrears (reducing target <9% June, <7% Sept, <5% Dec <2% March)	<2% eoy	IPG	PIB	9.34%	green						
KPI. 12	Minimise voids (*)	n/a	IPG	PIB	3.77%	green						
KPI. 13	Outperform MSC**	exceed ben	IPG	PIB	n/a	n/a						
	*reported bi annually											
	** reported annually											
	eoy - end of year											

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Headline Performance Charts Quarter 1 2022/23

Appendix C Page 1 of 1

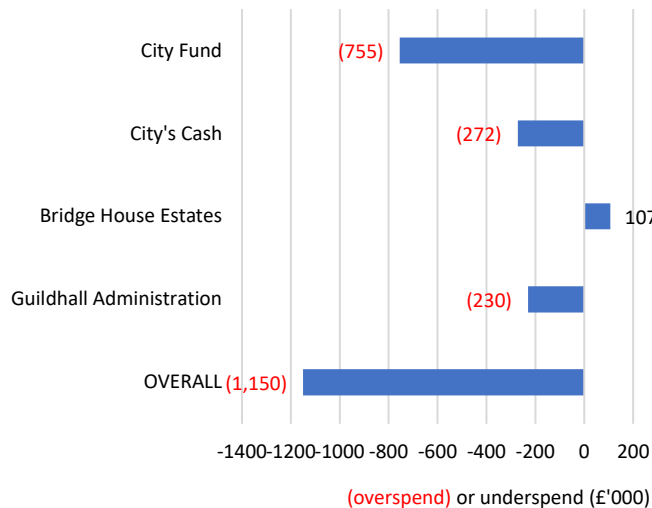


Figure 1 End of quarter variance against profiled local risk budget – (overspend) or underspend

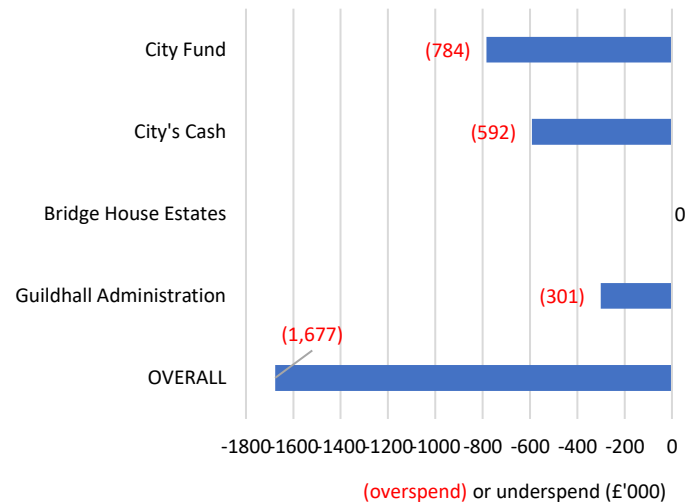


Figure 2 Projected year-end variance of the local risk budget – (overspend) or underspend

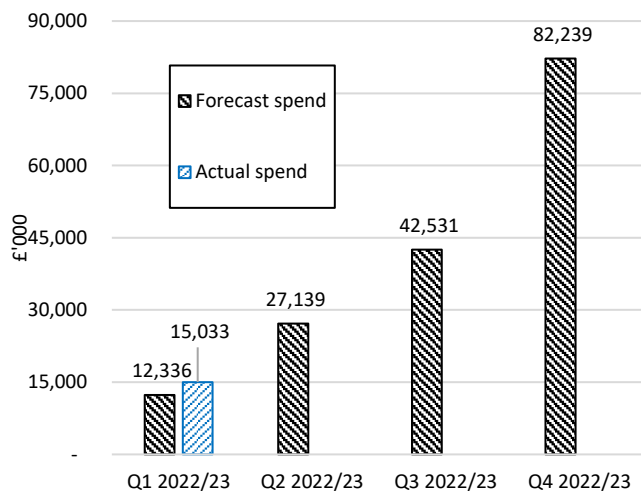


Figure 3 All project spend, forecast v actual

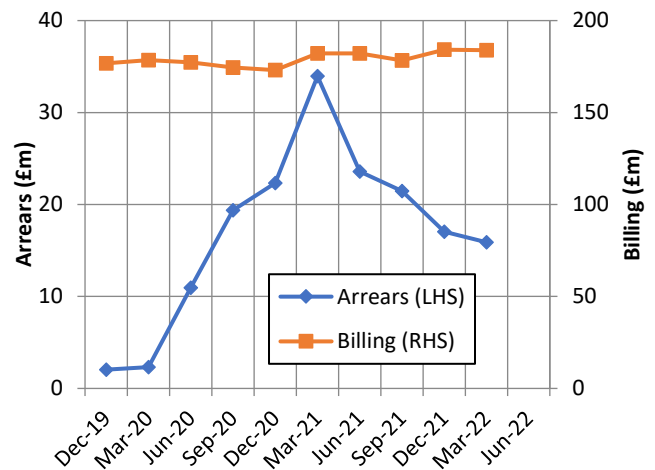


Figure 4 (Investment Properties) Commercial tenants' arrears compared to annual rolling billing run.

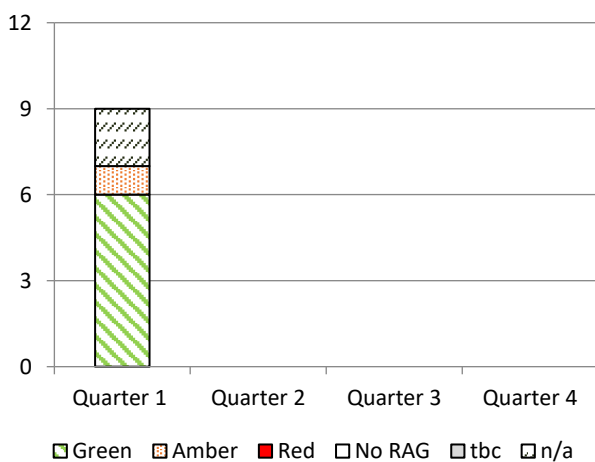


Figure 5 Performance of KPIs linked to Corporate Property (Operational Property and Projects Sub Committee)

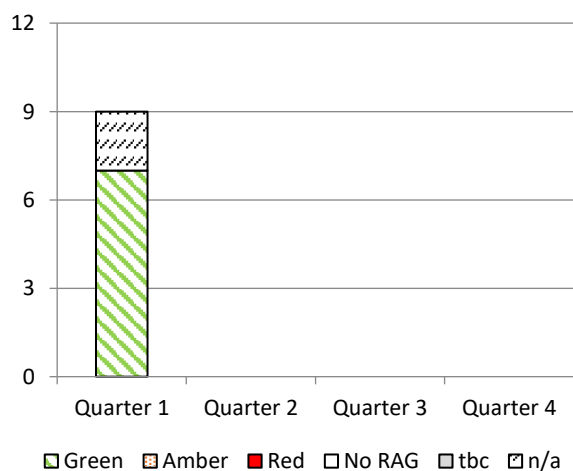


Figure 6 Performance of KPIs linked to Investment Property (Property Investment Board)

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April to June

1. In the West End office leasing market, Savills reported record breaking take-up in June of 1m sq ft across 40 transactions which is the third highest monthly take-up they have ever recorded. By way of comparison, the first 5 months of the year saw average monthly take-up reach around 230,000 sq ft. As a result, at the end of the first half of the year, take-up reached 2.17m sq ft across 187 transactions. This is 13% above the 10-year long-term average and 68% higher than where leasing activity stood at the end of the same period last year. The main driver of the increased activity has been from pre-lets, with 7 of the 10 largest transactions being pre-lets sized 40,000 sq ft and above which is a promising sign of market sentiment going forward.
2. 89% of take-up year-to-date has been of Grade A quality, and in June alone Grade A transactions accounted for the overwhelming majority, with 98%. Furthermore, buildings with a BREEAM rating of 'Very Good' or above have accounted for 52% of leasing activity.
3. Last month, the vacancy rate was the lowest it has been since November 2020, standing at 5.9%, that is despite 534,159 sq ft of speculative October to December 2022 completions being added into supply. This year and next continue to be record years for new developments in the West End – between 2022 and 2026 Savills are anticipating 13m sq ft to complete.
4. In the City office leasing market, Savills reported June take-up of almost half a million sq ft (486,785 sq ft) across 36 transactions. Total take-up for first half of the year amounted to 3.1m sq ft across 197 deals. Positively, this is up 8% on the 10-year average, but down in terms of the average number of deals, highlighting an increasing average transaction size, which can partially be attributed to the higher level of pre-letting activity across the City. Pre-letting accounted for 31% of take-up since the start of last year. Driven by rising scrutiny with regards to achieving sustainability goals, and battling for the best talent, there continues to be a preference for premium office space.
5. Supply across the City remained constant at 12.7m sq ft, equating to a vacancy rate of 9.1%. Although, this is down on the post-pandemic peak by 30 bps, it is still up 280 bps on the 10-year average of 6.3%. Overall, 23% of the development pipeline for the next five years has been pre-let. From growing raw material costs and supply chain issues to increasing labour costs to keep up with rising inflation and higher building costs, it is likely that in the coming quarters, the certainty and viability of some of the schemes on the pipeline will come under review, and it is to be expected that some will experience both delays in starts and subsequent completion dates.
6. In the West End investment Market, Savills recorded an investment volume of £420m across 8 transactions in June, bringing April to June turnover to £1.82bn

(across 24 deals), representing a 50% increase and 15% increase on the 5-year and 10-year equivalent quarter averages, respectively. This figure represents a 10% fall on the activity witnessed on the prior quarter, likely hindered by the notable rise in finance costs and the continued increase in build costs.

7. The total 2022 volume for the first half of the calendar year, at £3.84bn, is the highest level observed since the same period in 2017, demonstrating the market's strong rebound from the height of the coronavirus pandemic. Whilst the volume figure is 28% ahead of the 10-year average, the number of transactions (49) is down 28% on the average, highlighting a growing trend over the last decade of larger-but-fewer trades; partially a function of price inflation (which itself was largely driven by rental growth).
8. In the City investment market, Savills confirmed the total transaction volume for June reached £696.7m, an increase of 260% on the May figures. Following a record first quarter, the second quarter of the calendar year was more subdued with a total transaction volume of £1.11bn across 24 deals reflecting an average lot size of £46.25m. This places the January to June 2022 transactional volume at £5.28bn across 62 deals, reflecting a 76.5% increase on the same period last year, and 31% above the 10-year average. This equates to the highest transactional volume during the first half of the calendar year since 2018 where investment volumes reached £5.8bn.
9. Savills Prime City yield was moved outward from 3.75% to 4.00% in June, which compared to a West End Prime Yield of 3.25%.

Action Plan

1. The Climate Action Strategy for the Investment Property Portfolio contains a delivery plan, consisting of a set of sub-tasks to progress towards net zero. This Appendix provides a status update against the Year 2 plan (approved at Policy and Resources Committee on 5 May 2022).
2. Members are to note the progress as described in the tables contained in this appendix. Other salient points to note are as follows:
 - a. The CO2 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 have been verified in July, and Scope 3 emissions by September.
 - b. 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”.

Task	Year 2 Project Plan		Revised		Progress Update
	Start	Finish	Start	Finish	
Undertake MEES Risk assessment, identify costs to upgrade and agree Due diligence standards.	Sept 2021	Sept 2022			<p>Continued to review/ manage the review of reports; working with Minor Works Team to improve cost reliability</p> <p>Phase 1</p> <ul style="list-style-type: none"> WSP – 94% of draft reports issued C&B – 100% of draft reports issued <p>Phase 2</p> <ul style="list-style-type: none"> WSP – 19% draft reports issued C&B – 47% draft reports issued <p>All surveys have been completed; dates are in line with September deadline.</p>
Undertake study to establish process, cost and benefit of improved metering strategy.	Apr 2022	Sept 2022			<ul style="list-style-type: none"> Strategy template agreed and workshops have been carried out with asset managers. Work is undergoing. Findings and scope of works above will feed into the strategy.
Green Lease MOU pilot to evolve working template for portfolio roll out.	Apr 2022	March 2023			<ul style="list-style-type: none"> IPG Asset Managers developing Green Lease template for use on new leases. The above will help inform the Green Lease MOU for current leases. Longer leases with distant lease brakes will be targeted with MOUs. Potential tenants are being discussed with Assistant Directors. MEES, EPC and metering strategy commission will also help inform the Green Lease MOU.
Identify and design pathway to 60% emissions reduction by 2040	Apr 2022	March 2023			<ul style="list-style-type: none"> Template for the operational plan agreed. Workshop with Assistant Directors organized to start pre-work and further design of operational plan. Received programme of delivery from C&B Reviewed EPC decision tree with Asset Managers Main task will begin in September after all reports received and portfolio level costs are understood

Task	Year 2 Project Plan		Revised		Progress Update
	Start	Finish	Start	Finish	
Capital works – City Fund	Apr 2022	March 2040	Aug 2022	March 2040	<ul style="list-style-type: none"> Projects will be implemented following the development of asset level decarbonisation plans taken from the surveys.
Capital Works – Strategic Estate	Apr 2022	March 2040	Aug 2022	March 2040	<ul style="list-style-type: none"> Chiswell Street has completed upgrade to Grade B, Viper Industrial Estate is in detail design phase in anticipation of construction
Sustainable Property Specialist	Appointed				<ul style="list-style-type: none"> A Sustainable Property Specialist in position and forms part of the Centre of Excellence and will drive NZ4 – Investment Property Group Project Plan.
Capital PM resource	Apr 2022	March 2027	July 2022	March 2040	<ul style="list-style-type: none"> Allocation of resource cost is included within capital funding and will be managed through City Surveyors & Minor Works team

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