



## Property Investment Board

**Date:** MONDAY, 20 JUNE 2022

**Time:** 11.00 am

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

**Members:** Deputy Andrien Meyers  
Deputy Christopher Hayward  
Martha Grekos  
Paul Singh  
Deputy James Thomson  
Deputy Randall Anderson  
David Brooks Wilson (Co-opted Member)  
Claudine Blamey (Co-opted Member)  
Plus  
Up to two Members to be co-opted from the Court of Common Council by the Board

**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/MiHrF3aVeVo>

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

## **AGENDA**

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.

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

1. **APOLOGIES FOR ABSENCE**

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

3. **TERMS OF REFERENCE**

To receive the Board's terms of reference as agreed by the Policy & Resources Committee on 5 May 2022

**For Information**  
(Pages 5 - 6)

4. **ELECTION OF CHAIRMAN**

To elect a Chairman in accordance with Standing Order 29.

**For Decision**

5. **ELECTION OF DEPUTY CHAIRMAN**

To elect a Deputy Chairman in accordance with Standing Order 30.

**For Decision**

6. **MINUTES**

To approve the public minutes and non-public summary of the Property Investment Board meeting held on 21<sup>st</sup> of January 2022.

**For Decision**  
(Pages 7 - 12)

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

To appoint up to two co-opted Members from the Court of Common Council for the 2022/23 municipal year, as per the Board's terms of reference.

**For Decision**

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

Report of the Town Clerk.

**For Decision**  
(Pages 13 - 16)

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

Report of the City Surveyor.

**For Information**  
(Pages 17 - 40)

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

Report of the City Surveyor.

**For Information**  
(Pages 41 - 54)

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

Report of the City Surveyor.

**For Information**  
(Pages 55 - 64)

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

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

14. **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**

15. **NON PUBLIC MINUTES**

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

**For Decision**  
(Pages 65 - 72)

## **ALL ESTATES**

16. **\*ALL FUNDS - RENTAL ESTIMATES MONITORING REPORT (DECEMBER 2021 AND MARCH 2022 QUARTERS)**  
Report of the City Surveyor.  
  
**For Information**  
(Pages 73 - 88)
17. **\*CITY FUND, CITY'S ESTATE, BRIDGE HOUSE ESTATES AND STRATEGIC PROPERTY ESTATE - ANNUAL VALUATION**  
Report of the City Surveyor.  
  
**For Information**  
(Pages 89 - 94)
18. **\*CITY FUND, CITY'S ESTATE AND BRIDGE HOUSE ESTATES: ARREARS OF RENT AS AT MARCH 2022 QUARTER DAY MINUS 1**  
Report of the City Surveyor.  
  
**For Information**  
(Pages 95 - 106)
19. **CITY FUND, CITY'S ESTATE & BRIDGE HOUSE ESTATES - QUARTERLY DELEGATED AUTHORITIES UPDATE - 1ST JANUARY 2022 TO 31ST MARCH 2022**  
Report of City Surveyor.  
  
**For Information**  
(Pages 107 - 116)
20. **\*REPORT OF ACTION TAKEN**  
Report of the Town Clerk.  
  
**For Information**  
(Pages 117 - 124)
21. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
22. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE BOARD AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

## Property Investment Board

### Composition

- the Chairman or a Deputy or Vice Chairman of the Policy and Resources Committee, or their nominee (from the Membership of that Committee)
- the Chairman or Deputy Chairman of the Finance Committee or their nominee (from the Membership of that Committee)
- Two Members appointed by the Policy and Resources Committee
- Two Members appointed by the Finance Committee
- Up to four co-opted External Members with relevant experience – appointed by the Board
- Up to Two Members to be co-opted from the Court by the Board with relevant experience (one appointment each)

The Chairman and Deputy Chairman to be elected from amongst its Membership

### Terms of Reference

To determine and approve management and investment matters relating to property within the City's Cash and City Fund in accordance with the management plans and investment strategies;

- a) to acquire, manage or dispose of all City property within its remit;
- b) to determine specific property ownerships in accordance with policies established by the Policy and Resources Committee and the Court of Common Council in relation to the extent of properties to be held by the City of London Corporation for strategic purposes, including within the City itself;
- c) in relation to Leadenhall Market, to lease any shop or shops at less than the full market rent in order to obtain the stated objectives of securing a first class, balanced and varied market;
- d) to report during the year to the Court of Common Council in relation to its activities and the overall performance of the investment property portfolios; and
- e) to inform the decision taken by the Resource Allocation Sub-Committee on the appropriate investment proportions between property and non-property assets.

*Provision to enable the Chairman of the Property Investment Board to report on and speak to the Board's activities and responsibilities in the Court of Common Council and to ensure that any decisions, especially those relating to property, are taken without undue delay.*

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## PROPERTY INVESTMENT BOARD

Friday, 21 January 2022

**Minutes of the meeting of the Property Investment Board held at in a hybrid format both remotely and at Guildhall, EC2 on Friday, 21 January 2022 at 11.00 am**

### **Present**

#### **Members:**

Deputy Andrien Meyers (Chair)  
Shravan Joshi (Deputy Chairman)  
Christopher Hayward  
Michael Hudson  
Deputy Philip Woodhouse  
Claudine Blamey  
David Brooks Wilson

#### **Officers:**

Richard Holt	- Town Clerk's Department
Shani Annand-Baron	- Town Clerk's Department
John James	- Chamberlain's Department
Aqib Hussain	- Chief Operating Officer's Department
Alan Bennetts	- Comptroller & City Solicitor's Department
Paul Wilkinson	- City Surveyor
Nicholas Gill	- City Surveyor's Department
Andrew Cross	- City Surveyor's Department
Tom Leathart	- City Surveyor's Department
Neil Robbie	- City Surveyor's Department
Steven Chandler	- City Surveyor's Department
Robert Hutton	- City Surveyor's Department

The Town Clerk highlighted that the meeting was being recorded as well as live streamed and would be made available on the City Corporation's YouTube page for a period of time after the meeting had concluded. It was confirmed that participants in the meeting had all individually agreed and given their consent to being recorded and that all personal data would be processed in accordance with the Data Protection Act 2018. The Town Clerk also highlighted that, for further information on this, viewers could contact the City Corporation using the details provided on the public webpages.

The Town Clerk reminded Members, and any members of the public observing the meeting on-line, that this was an informal meeting and that any views reached by the Committee today would therefore have to be considered by the Investment Property Director after the meeting in accordance with the Court of Common Council's COVID Approval Procedure and that they would make a formal decision having considered all relevant matters. The Town Clerk

highlighted that this process reflected the current position in respect of the holding of formal Local Authority meetings and the Court of Common Council's decision of 16th December 2021, to continue with virtual meetings and take formal decisions through a delegation to the Town Clerk and other officers nominated by him after the informal meeting has taken place and the will of the Committee was known in open session. Details of all decisions taken under the COVID Approval Procedure would be available online via the City Corporation's webpages.

1. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Deputy Tom Sleight, Deputy Robert Merrett and Alderman and Sheriff Alison Gowman.

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

David Brooks Wilson made a declaration as a consultant to an architectural practice Squire and Partners in addition to his standing declarations in regard to Arcadis, Keltbray and The Wilky Group Ltd.

3. **MINUTES**

The Board considered the public minutes and non-public summary of the Property Investment Board meeting held on the 26th of November 2021.

**RESOLVED** – That the public minutes and non-public summary of the meeting of the Property Investment Board meeting held on the 26th of November 2021 be approved as an accurate record.

4. **REAPPOINTMENT OF CO-OPTED MEMBER**

The Board heard a verbal update from the Town Clerk and the City Surveyor on the appointment of Co-opted members to the Property Investment Board.

The City Surveyor updated the Board on the current position of the process to identify appropriate candidates to the Board to fulfil the co-opted board member role profiles agreed by the Board. It was confirmed that no individuals considered suitable for co-option by the Board had been identified in the process. It was recommended to the Board that David Brooks Wilson be reappointed to the Board. Following this, the Board approved the co-option of David Brooks Wilson for an initial period of twelve months.

The Chair added that the identification of appropriate candidates to serve as external members on City of London Corporation Committees or Boards was an issue on a number of committees, particularly the Audit and Risk Management Committee. Following this it was suggested that the Chair work to establish an appropriate joint approach with the Audit and Risk Management Committee. The Chair added that it was hoped that appropriate candidates would be agreed ready to be considered at the next meeting of the Board in May.

**RESOLVED-** That David Brooks Wilson be appointed as a co-opted member of the Property Investment Board.



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

There were no questions.

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

There was no other business.

7. **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.**

8-20

**Paragraph No.**

3

8. **NON-PUBLIC MINUTES**

The Board considered the non-public minutes of the Property Investment Board meeting held on the 26th of November 2021.

**RESOLVED** – That the non-public minutes of the meeting of the Property Investment Board meeting held on the 26th of November 2021 be approved as an accurate record.

9. **CITY FUND, CITY'S ESTATE & BRIDGE HOUSE ESTATES - REVENUE WORKS PROGRAMME - 21/22 PROGRESS REPORT**

The Board received a report of the City Surveyor on the Estates Revenue Works programme 21/22 Progress Report for the City Fund, City's Estate & Bridge House Estate.

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

10. **CITY'S ESTATE, CITY FUND & BRIDGE HOUSE ESTATES OUTSTANDING LEASE RENEWALS & RENT REVIEWS - 1ST JULY 2021 TO 31ST DECEMBER 2021**

The Board received a report of the City Surveyor on the Outstanding Lease Renewals & Rent reviews 1<sup>st</sup> July to 31<sup>st</sup> December 2021 for City's Estate, City Fund & Bridge House Estates.

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

11. **CITY'S ESTATE, BRIDGE HOUSE ESTATES AND CITY FUND: VACANT ACCOMMODATION UPDATE AS AT 1ST DECEMBER 2021**

The Board received a report of the City Surveyor on the Vacant Accommodation update as at 1<sup>st</sup> December 2021 for City Estate, Bridge House Estates and City Fund.

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

12. **GUILDHALL COMPLEX - REFURBISHMENT OPTIONS FOR THE NORTH AND WEST WINGS**

The Board received a report of the City Surveyor on the Guildhall Complex Refurbishment Options for the North and West Wings.

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

13. **CITY FUND, CITY'S ESTATE & BRIDGE HOUSE ESTATES - QUARTERLY DELEGATED AUTHORITIES UPDATE - 1ST OCTOBER 2021 TO 31ST DECEMBER 2021**

The Board received a report of the City Surveyor on the Quarterly Delegated Authorities Update 1<sup>st</sup> October 2021 to 31<sup>st</sup> December 2021 for the City Fund, City's Estate and Bridge House Estates.

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

14. **REPORT OF ACTION TAKEN**

The Board considered a report of the Town Clerk on the action taken outside of the meetings of the Board.

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

15. **CITY'S ESTATE: ANNUAL UPDATE & 2022 STRATEGY**

The report was deferred.

16. **CITY'S ESTATE - SUITE P, PART SECOND FLOOR, SMITHFIELD COMMERCIAL OFFICES, 2 EAST POULTRY AVENUE, EC1. SURRENDER OF EXISTING LEASE AND REGRANT OF NEW LEASE TO SEYMOUR DISTRIBUTION LIMITED**

The Board considered a report of the City Surveyor on the Surrender of existing lease and regrant of new lease to Seymour Distribution Limited Suite P, Part Second Floor, Smithfield Commercial Offices, 2 East Poultry Avenue, EC1 in the City's Estate.

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

17. **CITY'S ESTATE : 123-124 NEW BOND STREET GATEWAY 6 REPORT**

The Board considered a report of the City Surveyor on the Gateway 6 report New Bond Street in the City's Estate.

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

18. **CITY FUND PROPERTY INVESTMENT PORTFOLIO - ANNUAL UPDATE & STRATEGY REPORT**

The report was deferred.

19. **CITY FUND - LEASE RENEWAL - UNIT 4-5 LEADENHALL MARKET - CHEESE@LEADENHALL LIMITED (TRADING AS CHEESE)**

The Board considered a report of the City Surveyor on the lease renewal for Unit 4-5 Leadenhall Market Cheese@leadenhall (trading as Cheese) in the City Fund.

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

20. **CITY FUND - REFURBISHMENT OR REPLACEMENT OF THE FORESHORE RIVER DEFENCES FRONTING RIVERBANK HOUSE, UPPER THAMES STREET, LONDON EC4.**

The Board considered a report of the City Surveyor on the Refurbishment or Replacement of the Foreshore River Defences fronting Riverbank House Upper Thames Street London in the City Fund.

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

21. **STRATEGIC PROPERTY ESTATE (CITY FUND & CITY'S ESTATE) - ANNUAL UPDATE & STRATEGY FOR 2022**

The report was deferred.

22. **BRIDGE HOUSE ESTATES (BHE): ANNUAL UPDATE & 2022/23 INVESTMENT PROPERTY STRATEGY**

The report was deferred.

23. **BRIDGE HOUSE ESTATES OUTSTANDING LEASE RENEWALS & RENT REVIEWS - 1ST JULY 2021 TO 31ST DECEMBER 2021**

The Board received a report of the City Surveyor on the Outstanding Lease Renewals and Rent Reviews 1<sup>st</sup> July to 31<sup>st</sup> December 2021 for the Bridge House Estates.

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

24. **BRIDGE HOUSE ESTATES - QUARTERLY DELEGATED AUTHORITIES UPDATE - 1ST OCTOBER 2021 TO 31ST DECEMBER 2021**

The Board received a report of the City Surveyor on the Quarterly Delegated Authorities 1<sup>st</sup> October to 31<sup>st</sup> 2021.

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

25. **BRIDGE HOUSE ESTATES: VACANT ACCOMMODATION UPDATE AS AT 1ST DECEMBER 2021**

The Board received a report of the City Surveyor on the Vacant Accommodation Update as at 1<sup>st</sup> December 2021 for the Bridge House Estates.

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

26. **BRIDGE HOUSE ESTATES - REVENUE WORKS PROGRAMME - 21/22 PROGRESS REPORT**

The Board received a report of the City Surveyor on the Revenue Works Programme 21/22 Progress Report for the Bridge House Estates.

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

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

There were no questions.

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

There was one item of business considered in the non-public session.

**29. TARGET OPERATING MODEL PROPOSAL - CITY SURVEYOR'S DEPARTMENT (CENTRAL CRIMINAL COURT & ENABLING SERVICES)**

The report was removed from the agenda.

**The meeting ended at 12.15 pm**

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Chairman

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

<b>Committee(s)</b>	<b>Dated:</b>
Property Investment Board – <b>For Decision</b>	20 <sup>th</sup> June 2022
<b>Subject:</b> Terms of Reference and 2022-23 Work Programme	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b> See page 3 of the <a href="#">Corporate Plan</a>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N/A</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b> Town Clerk	
<b>Report author:</b> Richard Holt, Town Clerk’s Department	

## Summary

This report provides the Property Investment Board’s Terms of Reference, the frequency of meetings and proposed work programme.

## Recommendations

It is recommended that:

- a) Members note the Property Investment Board’s Terms of Reference;
- b) Members approve the proposed work programme for 2022/23; and
- c) Consider whether the frequency of meetings is appropriate.

## Main Report

1. This report notes the Terms of Reference and composition of the Property Investment Board.
2. The Board is further asked to consider the frequency of its meetings. It is proposed that the Property Investment Board will meet on a bi-monthly basis. This arrangement reflects the proposed work programme for the Board outlined below.

### **3. Property Investment Board –Terms of Reference**

#### **Property Investment Board**

##### **Composition**

- the Chairman or a Deputy or Vice Chairman of the Policy and Resources Committee, or their nominee (from the Membership of that Committee)
- the Chairman or Deputy Chairman of the Finance Committee or their nominee (from the Membership of that Committee)
- Two Members appointed by the Policy and Resources Committee
- Two Members appointed by the Finance Committee
- Up to four co-opted External Members with relevant experience – appointed by the Board
- Up to Two Members to be co-opted from the Court by the Board with relevant experience (one appointment each)

The Chairman and Deputy Chairman to be elected from amongst its Membership

##### **Terms of Reference**

To determine and approve management and investment matters relating to property within the City's Cash and City Fund in accordance with the management plans and investment strategies;

- a) to acquire, manage or dispose of all City property within its remit;
- b) to determine specific property ownerships in accordance with policies established by the Policy and Resources Committee and the Court of Common Council in relation to the extent of properties to be held by the City of London Corporation for strategic purposes, including within the City itself;
- c) in relation to Leadenhall Market, to lease any shop or shops at less than the full market rent in order to obtain the stated objectives of securing a first class, balanced and varied market;
- d) to report during the year to the Court of Common Council in relation to its activities and the overall performance of the investment property portfolios; and
- e) to inform the decision taken by the Resource Allocation Sub-Committee on the appropriate investment proportions between property and non-property assets.

*Provision to enable the Chairman of the Property Investment Board to report on and speak to the Board's activities and responsibilities in the Court of Common Council and to ensure that any decisions, especially those relating to property, are taken without undue delay.*

#### **Property Investment Board – Work Programme**

4. Outlined below are some of the key issues that will need to be considered by the Property Investment Board at its meetings throughout the year. The programme is intended to be indicative, in order to give Members some idea of the reports that will be considered during its meetings and is subject to change.

**PROPERTY INVESTMENT BOARD  
ANNUAL TIMETABLE OF REPORTS**

June 2022 to April 2023

<b>JUNE 2022</b>	Rental Forecasts Quarterly Report. (March)	
	Annual Valuation.	
	Delegated Authorities – Decisions as at 31 <sup>st</sup> March.	
	Arrears (as at March Quarter day) – Half yearly report.	
	Timetable of reports (to be incorporated into Town Clerk's report)	
	Terms of Reference, Frequency of Meetings, 2022/23 Work Programme and Appointments to other Committees	
<b>JULY 2022</b>	Vacant Accommodation Update (as at 1st June) – Half yearly report.	IPG Director
	MSCI Annual Performance	IPG Director
	Delegated Authorities – Decisions as at 30 <sup>th</sup> June.	IPG Director
	Write Off Report	A. Cusack/C. Lawson
	Revenue Outturn Report.	John James
	Business Plan – 4 <sup>th</sup> Quarter Progress.	John Galvin
	City Surveyor's Department Risk Register – 4 <sup>th</sup> Quarter Progress.	Faith Bowman
	6 Monthly Revenue Report	Jonathan Cooper
	Progress Update – Minimum Energy Efficiency Standards & Net Zero Carbon Action Plan for Investment Property Portfolio	Graeme Low
<b>AUGUST 2022</b>	<b>NO COMMITTEE – RECESS</b>	
<b>SEPTEMBER 2022</b>	Rent Reviews/Lease Renewals report as at June Quarter Day.	IPG Assistant Directors
	Rental Forecast Quarterly Report (June)	IPG Assistant Directors
	Write Off Report	A. Cusack/C. Lawson
	Business Plan – 1 <sup>st</sup> Quarter Progress.	John Galvin
	City Surveyor's Department Risk Register – 1 <sup>st</sup> Quarter Progress.	Faith Bowman
<b>OCTOBER 2022</b>	<b>NO COMMITTEE</b>	
<b>NOVEMBER 2022</b>	Rental Forecast Quarterly Monitoring Report (September)	IPG Assistant Directors
	Delegated Authorities - Decisions as at 30 <sup>th</sup> September.	IPG Director
	Annual Estimates.	John James
	Draft New Business Plan 2022 - 2025	John Galvin
	Arrears (as at Sept Quarter day) - Half yearly report.	IPG Director
	Business Plan – 2 <sup>nd</sup> Quarter Progress.	John Galvin
	City Surveyor's Department Risk Register – 2nd Quarter Progress.	Faith Bowman
	Progress Update – Minimum Energy Efficiency Standards & Net Zero Carbon Action Plan for Investment Property Portfolio	Graeme Low
<b>DECEMBER 2022</b>	<b>NO COMMITTEE</b>	
<b>JANUARY 2023</b>	Voids (as at 1 Dec) – Half yearly report.	IPG Director
	6 Monthly Revenue Report	Jonathan Cooper
	City Fund Annual Update.	Tom Leathart
	City's Estate Annual Update.	Neil Robbie
	Strategic Property Estate Annual Update.	Andrew Cross
	Write Off Report	A. Cusack/C. Lawson
	Delegated Authorities – Decisions as at 31 <sup>st</sup> December	IPG Director
	Rent Review/Lease Renewals report as at December Quarter Day.	IPG Assistant Directors
<b>FEBRUARY 2023</b>	<b>NO COMMITTEE</b>	
<b>MARCH 2023</b>	Business Plan 3 <sup>rd</sup> Quarter Progress.	John Galvin
	City Surveyor's Department Risk Register – 3rd Quarter Progress.	Faith Bowman
	Rental Forecasts Quarterly Report.(December)	IPG Assistant Directors
	Write Off Report	A. Cusack/C. Lawson

	3 Yearly Report: Performance Metrics Annual Review – due Feb 2023	John James/IPG AD's
	Progress Update – Minimum Energy Efficiency Standards & Net Zero Carbon Action Plan for Investment Property Portfolio	Graeme Low
<b>APRIL 2023</b>	<b>NO COMMITTEE – RECESS</b>	

5. Over the course of the year, the Property Investment Board will report to the Policy and Resources Committee and Finance Committee, as follows:

#### **January Meeting**

The Policy and Resources Committee and Finance Committee will receive a report from the Property Investment Board on its review of various property strategies:-

City Fund Estate  
City's Estate  
Strategic Property Estate

#### **Each meeting**

In addition to the above, the minutes of the latest Property Investment Board meetings will be submitted to the Policy and Resources Committee and Finance Committee for information.

Contact  
Richard Holt  
Town Clerk's Department  
T: 020 7332 3113  
E: [Richard.holt@cityoflondon.gov.uk](mailto:Richard.holt@cityoflondon.gov.uk)



<b>Committee(s)</b>	<b>Dated:</b>
Operational Property and Projects Sub Committee – for information	26 May 2022
Property Investment Board – For information	20 <sup>th</sup> June 2022
<b>Subject:</b> City Surveyor's Departmental Risk Register – April 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 137/22)</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 currently has nine risks on its Departmental Risk Register (Appendix 1). Two of these risks are recorded as red. The red risks currently being managed by the department are:

- SUR SMT 004 - Maintenance and renewal of physical assets – Investment property and Corporate (operational) property (excluding housing assets)
- Current risk score 16 (Red)
- SUR SMT 005 - Construction Price Inflation
- Current risk score 16 (Red)

SUR SMT 004 is currently under consideration to be escalated to the Corporate Risk Register. The remaining seven risks are all currently scored as amber.

Members receive one appendix which captures all departmental risks.

## 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 Risk Management Strategy of the City of London Corporation 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. This report has attached the overall departmental risk register as Appendix 1.
3. Risks are reviewed regularly by the department's Senior Management Team (SMT) in line with the organisation's Risk Management Policy and Strategy (RMP&S). Risks are assessed on a likelihood-impact basis, and the resultant score is associated with a traffic light colour.
4. 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**

5. The City Surveyor Departmental Risk Register currently contains two red, and seven amber risks. The details of each of these are included in Appendix 1.
6. Risk SUR SMT 004, relating to the 'maintenance and renewal of physical assets' is being considered for escalation onto the Corporate Risk Register. In line with the RMP&S, this will be presented to the next meeting of Audit and Risk Management Committee (24 May), subject to officer governance gateways.
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. SUR SMT 004 – Maintenance and renewal of physical assets – Investment property and Corporate (operational) property (excluding housing assets)  
Current score – 12 (Red)

This risk is designed to be comprehensive. It covers both investment and corporate (operational non-housing) property assets. Further it captures the five key funding streams that are used to maintain and improve these physical assets. Each of these funding mechanisms are captured under the risk as specific actions.

The risk at department level is currently (Red) 12 rating, reflecting the gap between available funds and the repairs and maintenance needs of the estates – particularly the corporate estate.

This risk has been escalated for consideration into the Corporate Risk Register due to its significance (reflecting the current funding gap) and wide impact (multiple stakeholders).

**B. SUR SMT 009 – Recruitment and retention of property professionals**  
Current score – 8 (Amber)

This risk has been identified by several of the divisions within the City Surveyor's Department as 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).

As such, this risk has been recently elevated to the Departmental Risk Register.

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 of this risk. These items are captured in the mitigating actions in Appendix 1.

**C. SUR SMT 005 – Construction Price Inflation**  
Current score – 16 (Red)  
**SUR SMT 007 – Energy Pricing**  
Current score – 12 (Amber)

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 market forces. These items will be 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 (November) is included as the table on the left.

10. 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			2	
Possible		1	5	
Unlikely				
Rare				

Table 1: November 2021 Risk Heatmap

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

Table 2: April 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 – Departmental risk register

## Background Papers

- 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:** 20 April 2022



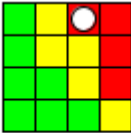
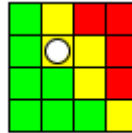

Rows are sorted by Risk Score

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
P004 <b>PR SMT 004</b> <b>Physical Assets- Investment property and Corporate (operational) property (excluding housing assets)</b>	<p><b>Cause:</b> Poor property condition combined with insufficient budget to maintain assets in line with commitments/expectations.</p> <p><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</p> <p><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&amp;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</p>	<p>Likelihood</p> <p>Impact</p>	16	<p>This risk results from both a workshop with the Executive Leadership Board (ELB) and a risk arising from the departmental risk register.</p> <p>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</p> <p>Note that the majority of this risk relates to the Corporate (operational) properties (excluding housing)</p>	<p>Likelihood</p> <p>Impact</p>	4	31-Mar-2023	
04-Nov-2019 Paul Wilkinson				14 Apr 2022			Reduce	Constant

Page 22

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 004a	Cyclical Works Programme (CWP)	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. 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 Operational Property and Projects Sub Committee (OPPSC). Peter Collinson & 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.	Peter Collinson	14-Apr-2022	31-Mar-2023
SUR SMT 004b	Ring fenced properties and budgets ( CoLP estate, New Spitalfields, Billingsgate and the three private schools	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. This element is being mitigated through the delivery of the recommendations arising from the recent Internal Audit. The master planning of certain sites (such as the Boys' School) helps add clarity around required spend.	Peter Collinson; Peter Young	14-Apr-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	14-Apr-2022	31-Mar-2023
SUR SMT 004d	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, making the condition of our assets critical to future income.	Nicholas Gill	14-Apr-2022	31-Mar-2023
SUR SMT 004f	Annual Major Capital Bids	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	Peter Collinson; Nicholas Gill; Peter Young	14-Apr-2022	31-Mar-2023

		scope for further improvement projects.			
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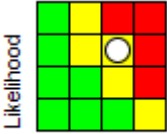
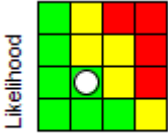
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>SUR SMT 005 Construction Price Inflation</b>	<b>Cause:</b> Market conditions 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	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"> <li>. Contractor claims – have increased (this is in-line with the broader industry)</li> <li>. Contractor financial stability – is being monitored closely, and we are ensuring that contingencies are in place where relevant.</li> <li>. Market interest – contractors are being selective, and often declining to tender.</li> <li>. Shortage of labour and materials – manifesting in significant increases in prices (tendered projects are often circa 20% above the pre-tender estimate).</li> </ul> <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	



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><b>14 Apr 2022</b></p>			Reduce	Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
P age 25 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	14-Apr-2022	31-Mar-2023
SUR SMT 005b	Committee Paper	The City Surveyor's Department input into a paper for Project Sub Committee, Procurement Sub Committee and Policy and Resources outlining the impact and implications of this risk.	Ola Obadara	14-Apr-2022	30-Jun-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	Ola Obadara	14-Apr-2022	30-Jun-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	14-Apr-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	14-Apr-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	14-Apr-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	14-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
<b>SUR SMT 002</b> <b>Insufficient budget to meet user and asset demand at Guildhall</b>  <div>Page 27</div>	<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	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.</p> <p>This risk has is influenced by other risks, notably the wider repairs and maintenance risk (SUR SMT 004).</p> <p>Actions noted in the last update (002h prioritisation review; and 002k Annual bid process) have now been completed.</p>	 Likelihood	4	31-Mar-2023	Constant
							Reduce	
10-Feb-2015 Peter Young				19 Apr 2022				

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	A wholesale review of the North Wing and West Wing was presented as an option to Members for consideration as part of the Fundamental Review. An Annual Bid for fees in 2021/22 was approved, and the Gateway 2 (feasibility study) was approved in November 2021. This will explore outline options for the future of the north and west wings to provide modern, fit-for-purpose accommodation for Members and Officers.			Paul Wilkinson; Peter Young	19-Apr-2022	31-Mar-2023

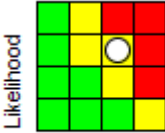
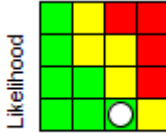

SUR SMT 002f	Cross departmental working	Single point of contact for Profit and Loss to be created within the Remembrancer's. Department. The mechanics of this have now been created and agreed by the Chamberlain's Department. CSD will interact further with Remembrancer's Department to achieve final agreement.	Remembrancer; Peter Collinson; Peter Young	19-Apr-2022	30-Sep-2022
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 and ongoing Covid 19 conditions. 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

17-May-2021  
Nicholas Gill

17-May-2021  
Nicholas Gill

	<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> <li>3. Tenancies (Long term Headlease geared, FRI, directly managed)</li> <li>4. Covenants (multinationals, SME)</li> <li>5. Asset management (lease renewals, voids, arrears, etc)</li> <li>6. Monitoring retail habits in change of building use</li> </ol>	Directors.	Gill	2022	2023
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	19-Apr-2022	31-Mar-2023
<div>Page 30</div> 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	19-Apr-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>	Nicholas Gill	19-Apr-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> <p>. Move to monthly payments (offered to directly managed and FR&amp;I tenants).</p>	Nicholas Gill	19-Apr-2022	31-Mar-2023

		<ul style="list-style-type: none"><li>. Rent concessions for some tenants (Mar, Jun, Sep, Dec quarters). No further concessions are proposed.</li><li>. 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.</li></ul>			
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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>19 Apr 2022</b>	 Likelihood Impact	<b>4</b>	30-Sep-2022	  Increasing
							Reduce	

Action no	Action description	Latest Note		Action owner	Latest Note Date	Due Date
P a g e 3 2  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	14-Apr-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	14-Apr-2022	30-Sep-2022



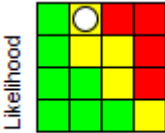
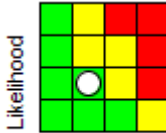

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
<b>SUR SMT 007 Energy Pricing</b>	<b>Cause:</b> Rapid increases in the market 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		12	<p>The market cost of energy has increased rapidly through 2021 (market rises of around 300% over the last six months), and this has precipitated some supplier failure.</p> <p>This has been further exacerbated through Russian action in the Ukraine, and the subsequent impacts on gas supply arrangements.</p> <p>The City's volumes are largely closed out for 2021/22 and this will manage the risk in the short term.</p> <p>We will support where necessary to ensure the Power Purchase Agreement (PPA) project completes on time in September to mitigate the exposure to very high electricity prices</p> <p>In the longer-term on-going volatility, combined with high pricing, does run the risk of diverting funding away from other activities. This is being closely monitored.</p>		3	31-Mar-2023	Constant
							Reduce	
18-Oct-2021 Peter Collinson				<b>19 Apr 2022</b>				

		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 September 22.	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	19-Apr-2022	31-Mar-2023



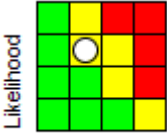
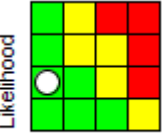

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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR SMT 001a	Investment property	Investment Property Consultant has recently been appointed for the first phases. We are anticipating work commencement in September. This workstream will counter the possibility of low value / stranded assets.	Peter Collinson; Graeme Low	14-Apr-2022	31-Mar-2027
SUR SMT 001b	Corporate Property	Mobilisation largely complete facilitated by the delivery of the recruitment action. Housing and BEMS support will be in place in the coming weeks.	Peter Collinson; Graeme Low	14-Apr-2022	31-Mar-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 are due to begin April 2022.	Peter Collinson; Graeme Low	14-Apr-2022	31-Mar-2027
SUR SMT 001d	Resilience	Mobilisation in progress facilitated by the delivery of the recruitment action. Climate Impact Modelling exercise starting in April.	Peter Collinson; Graeme Low	14-Apr-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	14-Apr-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 we have two permanent posts within the team that are currently vacant, but are in the recruitment process.	Peter Collinson; Graeme Low	14-Apr-2022	31-Mar-2027

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 organisations (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 borne 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>	8	<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 emerging Corporate Risk on “Skills & capacity of our people” which is current under consideration for escalation onto the Corporate Risk Register. <b>19 Apr 2022</b>			Reduce	Constant
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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	19-Apr-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.	Matthew Porpiglia; Paul Wilkinson	19-Apr-2022	31-Mar-2023
SUR SMT 009c	Communication	Monthly communications from the department’s Chief Officer so all staff feel engaged with the activities of the department.	Paul Wilkinson	19-Apr-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 emerging Corporate Risk on “Skills & capacity of our people”	Matthew Porpiglia; Paul Wilkinson	19-Apr-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	19-Apr-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	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
<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	<b>6</b>	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>19 Apr 2022</b>	 Likelihood  Impact	<b>2</b>	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 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	19-Apr-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	20-Apr-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	20-Apr-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



<b>Committee(s)</b>	<b>Dated:</b>
Operational Property and Projects Sub Committee – For information	26 May 2022
Property Investment Board – For information	20 <sup>th</sup> June 2022
<b>Subject:</b> City Surveyor's Business Plan 2021-26 Quarter 3 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 (CS123/22)</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 3 (October to December) 2021/22 against the 2021-26 Business Plan.

The election purdah period has meant that the presentation of this report has been delayed. Therefore, whilst this is the formal quarter 3 update report, wherever it is possible to include quarter 4 data (January to March), this has been noted. The regular quarter 4 report will be presented to Committees later in the year.

The report also provides Members with an update on the commercial property market and a financial statement.

For quarter 3, five key performance indicators (KPIs) were ahead of target (green), four were marginally behind target (amber) and four items were not assessed in the period. One final measure is only reported at the end of the reporting year.

The amber indicators were as follows:

- KPI. 1 – Asset Realisation and Additional Income (OPPSC)
- KPI. 3 – Space utilisation (OPPSC)
- KPI. 6 – Capital Projects risks status (OPPSC and PIB)
- KPI. 14 – Digital infrastructure strategy (OPPSC and PIB)

It should be noted that KPI. 3 has data available for quarter four, where it ended the year ahead of target (green).

The financial position at quarter 3, set out in Appendix A, reveals that the City Surveyor is forecasting and overspend at year-end of £874,000 against a budget of £30.5m (2.9%). This is being closely monitored.

### **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 3 of 2021-22 (September to December) against the 2021-26 Business Plan.
2. Due to the election purdah period this report has is being presented to Members later in the year than it would otherwise. Therefore, whilst this is the formal quarter 3 report, wherever it has been possible to include quarter 4 data, this has been noted. The full year-end and quarter 4 report will be presented to Members later in the year.

#### **Current Position**

3. 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.
4. 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.
5. A separate monitoring report on the risks within the department is also circulated for this meeting.

#### **Financial Statement**

6. The position at quarter 3, set out in Appendix A, reveals that the City Surveyor is forecasting and overspend at year-end of £874,000 against a budget of £30.5m (2.9%).
7. Whilst efforts are being made to contain this overspend, the position could deteriorate if there are further tenant failures. This would result in increased unrecoverable void costs which would have to be met from his budget. The position is being closely monitored.
8. The end of year finance data was not fully signed off at time of circulation and a full update will be provided in the quarter 4 report.

## Business Plan progress update

9. The following KPIs are not currently being assessed against a target, and consequently no RAG status will apply. These measures are under constant review, and when there is additional clarity over what constitutes positive performance, the targets will be updated. 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 3 2021/22 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 3.

Status <sup>1</sup>	Green	Amber	Red	TBC	N/A
Operational Property and Projects Sub Committee	5	4			1
Property Investment Board	5	4		1	4
Overall <sup>2</sup>	5	4		1	4

11. Of the fourteen key performance indicators being monitored, five were assessed as being on target (green), with four indicators marginally behind target (amber). As noted in paragraph 9, three measures do not have a RAG assessment, and one measure will be reported at the end of the reporting year.

12. The following indicators was marginally behind target at the end of quarter 3:

- A. KPI. 1 – Asset Realisation and Additional Income (OPPSC)  
Quarter 3 performance – 'off target', Amber

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

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<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.

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. Member decision on the recommended purchaser is expected shortly with completion in later in August.

### **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.

### **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. This element of the KPI is unlikely to be fully met by year-end. Despite these headwinds, the department has also generated combined additional savings, income and capital receipts from transactions completed in 2021/22 across the operational estate of £3.35m (of which £166k contributes to departmental local risk). Furthermore, additional income of circa £122k per annum has been secured through the lease event programme managed by this department on behalf of other services i.e., the management of the third-party interests (leases, licences etc).

- B. KPI. 3 – Space Utilisation (OPPSC)  
Quarter 3 performance – ‘off target’, Amber

The end of year target for this indicator was to reduce the ‘office space cost per FTE by 5% (to £3,826/FTE). Whilst this indicator was off target at the end of quarter 3, the year-end figure achieved £3,739/FTE and hence achieved its target.

- C. KPI. 6 – Capital Project – Project Risk Status (OPPSC and PIB)  
Quarter 3 performance – 23%, Amber

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 3 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.

**D. KPI. 14 – Digital Infrastructure Strategy (OPPSC and PIB)**  
Quarter 3 performance – ‘off target’, Amber

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**

13. The department continues to perform well, supporting the City Corporation in recovering from COVID-19.

## **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)

**Faith Bowman**

**John Galvin**

Departmental Performance & Services  
City Surveyor's Department

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# Budget Monitoring Statement Quarter 3

# Appendix A Page 1 of 1

CITY SURVEYOR'S DEPARTMENT - BUDGET MONITORING STATEMENT 2021-22 QUARTER 3						
LOCAL RISK BUDGET Quarter 3	Latest Approved Budget £000	Quarter 3 Profile £000	Quarter 3 Total Expenditure £000	Under / (Over) Spend for Period £000	Quarter 3 Projected Outturn £000	Under / (Over) Spend for 2021-22 £000
<b>CITY SURVEYOR</b>						
<b>City Fund</b>						
City Fund Estate & Leadenhall	(2,132)	(1,450)	(1,671)	(221)	(2,443)	(311)
CPAT & City Centre	(491)	(370)	(324)	46	(456)	35
Walbrook Wharf	(929)	(696)	(559)	137	(823)	106
Mayor's & City of London Court	(20)	(15)	(19)	(4)	(17)	3
Central Criminal Court (Old Bailey)	(284)	(213)	(213)	0	(284)	0
Recoverable Projects	0	0	0	0	0	0
Lower Thames St Roman Bath	(7)	(5)	(5)	0	(8)	(1)
R&M & MI Work for other departments	(1,255)	(941)	(842)	99	(1,159)	96
Corporate FM cleaning & security	(90)	(68)	(87)	(19)	(104)	(14)
	(5,208)	(3,758)	(3,720)	38	(5,294)	(86)
<b>City's Cash</b>						
City's Cash Estate	(3,291)	(2,201)	(2,232)	(31)	(3,219)	72
Departmental	(8,605)	(6,527)	(7,417)	(890)	(9,772)	(1,167)
Mayorality & Shrievalty	(33)	(60)	(35)	25	(49)	44
R&M & MI Work for other departments	(1,836)	(1,364)	(1,351)	13	(1,868)	(32)
Corporate FM cleaning & security	(610)	(445)	(468)	(23)	(622)	(12)
	(14,435)	(10,597)	(11,503)	(906)	(15,530)	(1,095)
<b>Guildhall Administration</b>						
Guildhall Complex	(8,061)	(6,126)	(5,867)	259	(7,851)	210
	(8,061)	(6,126)	(5,867)	259	(7,851)	210
<b>Total City Surveyor Local Risk excl BHE</b>	<b>(27,704)</b>	<b>(20,481)</b>	<b>(21,090)</b>	<b>(609)</b>	<b>(28,675)</b>	<b>(971)</b>
<b>Bridge House Estates</b>						
Bridge House Estates	(2,535)	(1,501)	(1,493)	8	(2,478)	57
Tower Bridge Corporate FM cleaning	(262)	(196)	(165)	31	(222)	40
	(2,797)	(1,697)	(1,658)	39	(2,700)	97
<b>Total City Surveyor Local Risk incl BHE</b>	<b>(30,501)</b>	<b>(22,178)</b>	<b>(22,748)</b>	<b>(570)</b>	<b>(31,375)</b>	<b>(874)</b>

## Notes

1. Overspend down to increased void costs. In particular empty rates and additional professional fees contributed to this item.
2. Savings principally in security and energy.
3. Savings on City Fund due to reduction in reactive call outs. Savings on City's Cash has not materialised due to level of reactive spend on Open Spaces.
4. This item comprises overspend on salaries due to fundamental review savings placed on hold (£0.5m); balance of the 12% savings target not yet identified (£0.4m); and reduced professional fee income (£0.3m).
5. Savings principally on security overtime and equipment. Underspend may increase marginally if work from home extends.
6. Reduction on various expenditure budgets offset by shortfall in service charge income.

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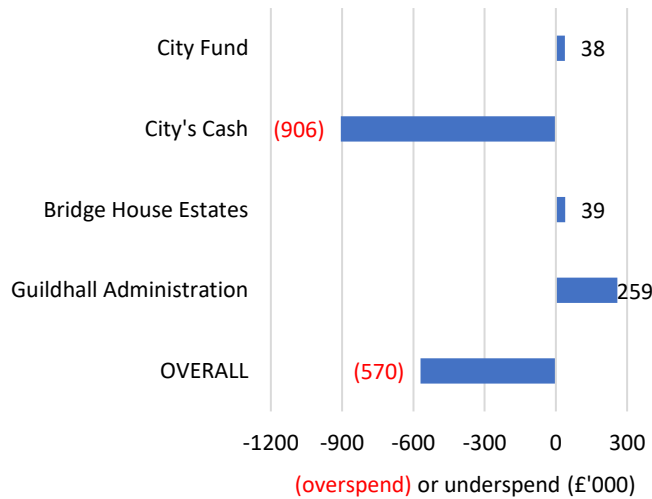


Key Performance Indicators										
Ref	Title	Target	Group	Committee	Q1		Q2		Q3	
					Actual	RAG	Actual	RAG	Actual	RAG
KPI.1	Asset Realisation and additional income	£19m	CPG	CPPSC	on target	green	iff target	amber	iff target	amber
KPI.2	Energy Consumption***	Min 4%	OG	CPPSC	16.00%	green	10.00%	green	6.00%	green
KPI.3	Space Utilisation*	£3.826	CPG	CPPSC	n/a	n/a	n/a	green	n/a	amber
KPI.4	Property contract Performance Compliance	> 90%	OG	CPPSC	90.37%	green	96.30%	green	90.37%	green
KPI.5	Adherence to Budgetary Spend Profiles	95% to 10%	All	PIB, CPPS	9.53%	green	31.92%	green	37.62%	green
KPI.6	Capital Project - Project Risk Status	< 20%	PPG	PIB, CPPS	21.00%	amber	17.00%	green	23.00%	amber
KPI.7	Capital Project- Health & Safety*	80%	PPG	PIB, CPPS	n/a	n/a	87.00%	green	n/a	n/a
KPI.8	Capital Project - Site sustainability waste management	> 90%	PPG	PIB, CPPS	98.00%	green	98.00%	green	98.00%	green
KPI.9	Rental Forecasts ****	n/a	IPG	PIB	£122.9m	n/a	121.6m%	n/a	121.1m%	n/a
KPI.10	Minimise Arrears ****	n/a	IPG	PIB	13.52%	n/a	12.03%	n/a	11.46%	n/a
KPI.11	Minimise voids (*) ****	n/a	IPG	PIB	3.45%	n/a	n/a	n/a	2.91%	n/a
KPI.12	Outperform MSC**	exceed by	IPG	PIB	n/a	n/a	n/a	n/a	n/a	n/a
KPI.13	Delivery of improvements districts	on schedu	CPAT	PIB, CPPS	on target	green	on target	green	on target	green
KPI.14	Digital infrastructure strategy	on schedu	CPAT	PIB, CPPS	on target	green	off target	amber	iff target	amber
	*reported bi annually									
	** reported annually									
	*** reported a quarter in arrears									
	**** RAG currently suspended									

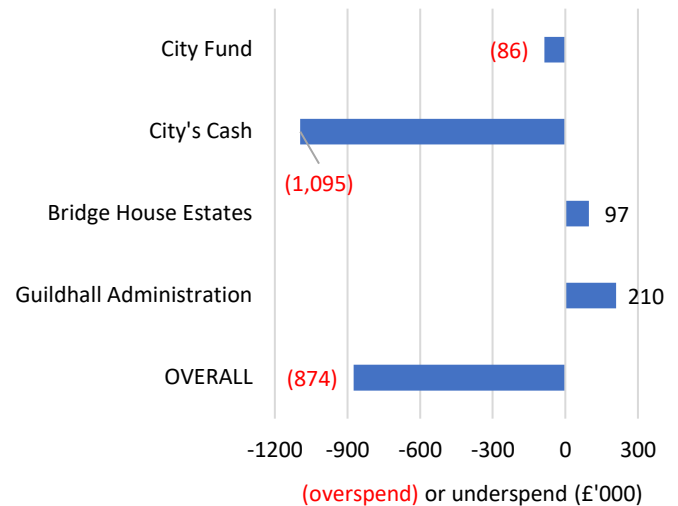
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## Headline Performance Charts Quarter 3 2021/22

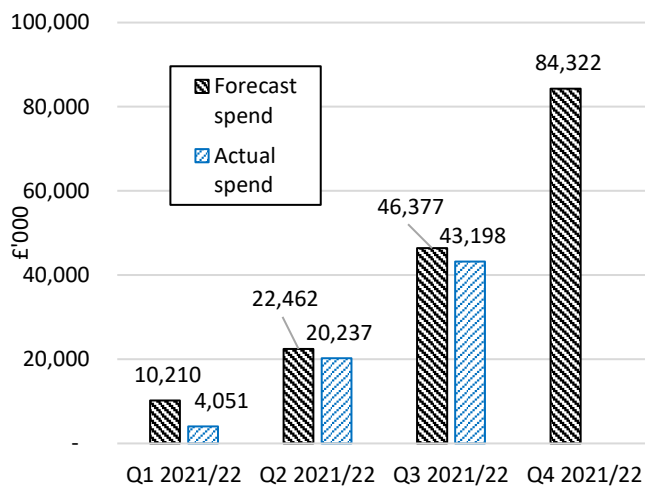
## Appendix C Page 1 of 1



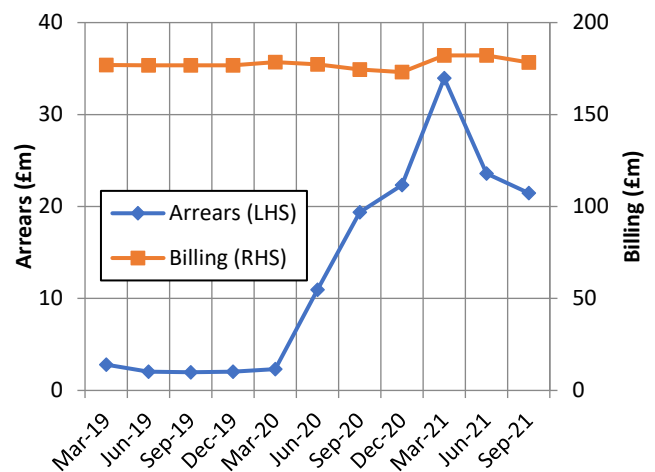
**Figure 1** End of quarter variance against profiled local risk budget – (overspend) or underspend



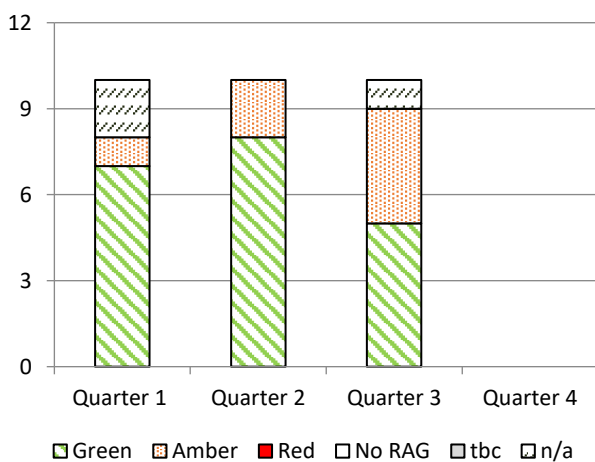
**Figure 2** Projected year-end variance of the local risk budget – (overspend) or underspend



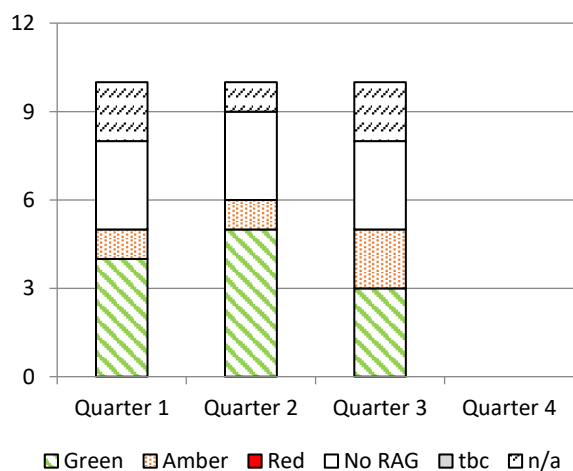
**Figure 3** All project spend, forecast v actual



**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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**Market Trends, October – December 2021**

1. In the City office leasing market, Savills reported that take-up for the December quarter reached 778,341 sq ft across 34 deals, giving a total for the year of 4.8m sq ft. This was up on 2020 by 65% but down on the 10-year annual average by just under a quarter (23%).
2. Grade A space remained the clear preference as it accounted for 93% of take-up, which is up on the 10-year average of 83%. Total City supply settled for a second consecutive month on 12.5m sq ft, equating to a vacancy rate of 9.0%, which is down 40 bps on the peak in September, but still up on the long-term average by 300 bps. The average prime rent for 2021 settled at £82.30 psf, up on 2020 by 3.1% and the highest annual figure on record.
3. 2021 saw 58 deals over £70.00 psf, this accounts for 20% of total transactions, this is up by 9 on last year and up 12 on the five-year average. Moreover, the average grade A rent for 2021 settled at £64.37 psf, down marginally on 2020 by 1.1%, highlighting the growing disparity within Grade A quality. Looking forward, 4.4m sq ft of space is due for completion in 2022, 33% of which is already pre-let, leaving 3.0m sq ft of space left to be delivered speculatively throughout the year.
4. In the West End office leasing market, Savills reported that 612,861 sq ft transacted in the October to December quarter, bringing the year-end total to 4.19m sq ft. As a result, the total volume of deals was 2.3% higher than the 10-year long-term average, and 132% higher than 2020's total volume.
5. Overall, Grade A transactions made up 85% of 2021's total, this is 8% higher than the average Grade-A share seen over the past 10-years. The average prime rent for the final quarter of calendar 2021 stood at £116.00 psf, which contributed to the average prime rent for the whole of 2021 to stand at £120.00 psf, this is 7.1% higher than 2020's average. As it stood in December the total available space in the West End reached 7.5m sq ft, equating to a vacancy rate of 6.4%. This is 60 bps down from its peak in April 2021, however, is still above the 10-year long-term average by 230 bps.
6. In the City investment market, Savills confirmed that December was the busiest month of 2021 with 15 buildings trading. £890.70m transacted, taking the overall volume for the year to £7.72bn across 91 deals. This is 68% ahead of 2020 turnover where only £4.59bn transacted. Despite this significant uplift, volumes were still low in a historic context being 20% below the 10-year average for turnover of £9.68bn. This was mainly due to the UK being in 'full lockdown,'.
7. By year-end there were 24 buildings which sold with a value over £100.0m, totalling £5.57bn, 72% of total transactional volume for the year. This was short

of the 2017 record, where deals over £100.0m accounted for 76% of total transactional volume.

8. In the West End investment Market, the October to December investment activity totalled £1.53bn accounted for 26% of the West End's annual volume and reflected 19% of deals by the number of transactions. This has left 2021 turnover 19% higher than 2020, partly justified by the fact less of the year was restricted by a national lockdown.
9. More notably the West End's 2021 turnover sits 11% above the 2019 total and only 4% below the 5-year average, illustrating a resurgence in market activity to pre-Covid levels. There were 7 transactions over £100m taking place compared to 18 deals in this size bracket exchanging over the entire year. This indicates the undeterred and significant investor confidence in the West End market despite the ongoing and uncertain pandemic conditions.
10. 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</b>	<b>Date</b>
Property Investment Board	20 <sup>th</sup> June 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 Nick Gill, Investment Property Director	<b>For Information</b>

## 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 36 draft reports currently under review. The second phase (89 buildings) has commenced surveying with 21 buildings surveyed and awaiting draft reports. 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. 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.
8. 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.
9. 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.
10. The survey work is continuing according to the year 2 plan for tasks IPG-1a, 1b, 2 and 4 (see Appendix A). The year 2 plan has been approved at the P&R Committee on 5<sup>th</sup> May 2022.
11. 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.
12. 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.

13. 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.
14. 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, who have commenced work, starting with data gathering.
15. 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. A working group series of meetings have been scheduled and a draft is to be released in Q1 2022 for internal review. 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. A plan and schedule for progressing this task will be produced at end of June 2022.

## **Corporate and strategic implications**

16. 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.
17. 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.
18. 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].

19. 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.
20. 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**

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## APPENDIX A – IPG CAS Year 2 (draft) Programme

### Delivery Plan (Gantt chart) Apr 2022 to March 2027

Task	Task Name	Responsible	Start Date	End Date	Complete (%)	FY 22/23				FY 23/24				FY 24/25				FY 25/26				FY 26/27			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1a	1a - Undertake MEES risk and boundary assessment at asset level to deliver portfolio cost and risk profile	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	50%																				
1b	1b - Identify costs required to upgrade major refurbishment works to EPC grade B between 2022 and 2030	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	30%																				
1c	1c - Identify and agree environmental Due Diligence standards	Investment Prpoerty Group Director	01-Jul-22	30-Sep-22	0%																				
1d	1d - Additional buildings added to group task 1a,1b,1c,2,4	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	20%																				
2	2 - Undertake a study to establish process, cost and benefit of an improved metering strategy	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	0%																				
3	3 - Undertake green lease MOU pilot group tenants to evolve a working template for portfolio roll-out	Investment Prpoerty Group Director	01-Apr-22	31-Mar-23	5%																				
4	4 - Design an operating plan to identify a pathway to 60% emissions reductions by 2040, identifying major milestones and investment strategy	Investment Prpoerty Group Director	01-Apr-22	31-Mar-23	10%																				
5a	5a - Capital Opportunity Budget	Investment Prpoerty Group Director	01-Apr-22	31-Mar-27	0%	Mobilisation				Delivery phases on lease break for individual tenancies															
5c	5c - Sustainable Property Specialist - 1 FTE (outsourced)	Investment Prpoerty Group Director	01-Apr-22	31-Mar-24	0%																				
5d	5d - Capital PM resource	Investment Prpoerty Group Director	01-Apr-22	31-Mar-27	0%																				
6	6 – Design and Deliver Member Training	Investment Prpoerty Group Director	01-																						

Delivery Plan (Gantt chart) FY2022/23

FY 22/23 (1 April 2022 to 31 March 2023)

						Quarter 1			Quarter 2			Quarter 3			Quarter 4		
Task	Task Name	Responsible	Start Date	End Date	Complete (%)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1a	1a - Undertake MEES risk and boundary assessment at asset level to deliver portfolio cost and risk profile	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	50%												
1b	1b - Identify costs required to upgrade major refurbishment works to EPC grade B between 2022 and 2030	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	30%												
1c	1c - Identify and agree environmental Due Diligence standards	Investment Prpoerty Group Director	01-Jul-22	30-Sep-22	0%												
1d	1d - Additional buildings added to group task 1a,1b,1c,2,4	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	20%												
2	2 - Undertake a study to establish process, cost and benefit of an improved metering strategy	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22	0%												
3	3 - Undertake green lease MOU pilot group tenants to evolve a working template for portfolio roll-out	Investment Prpoerty Group Director	01-Apr-22	31-Mar-23	5%												
4	4 - Design an operating plan to identify a pathway to 60% emissions reductions by 2040, identifying major milestones and investment strategy	Investment Prpoerty Group Director	01-Apr-22	31-Mar-23	10%												
5a	5a - Capital Opportunity Budget	Investment Prpoerty Group Director	01-Apr-22	31-Mar-23	0%												
5c	5c - Sustainable Property Specialist - 1 FTE (outsourced)	Investment Prpoerty Group Director	01-Apr-22	31-Mar-23	0%												
5d	5d - Capital PM resource	Investment Prpoerty Group Director	01-Apr-22	31-Mar-23	0%												
6	6- Design and Deliver Member Training	Investment Prpoerty Group Director	01-Apr-22	30-Sep-22													

APPENDIX B – Summary of Report Progress

Fund	Number of Properties	Number of EPCs Completed	Number of Completed Draft Reports	Percentage Complete Draft Reports
Bridge House Estates	22	17	3	14%
City Estate	86	121	25	29%
City Fund	25	5	1	4%
Strategic Estate	10	34	7	70%
Total	143	177	36	25%

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