

Committee(s)	Dated:
Property Investment Board (PIB) – For Information	26th November 2021
Bridge House Estates Board – For Information	24th November 2021
Subject: Progress Update – Minimum Energy Efficiency Standards & Net Zero Carbon Action Plan	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	1,5,7,10,11,12
For BHE, which outcomes in the BHE <i>Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?	2
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	NA
What is the source of Funding?	As approved under CAS for Y1 approved by Policy and Resources on 8 April 2021
Has this Funding Source been agreed with the Chamberlain’s Department?	Yes
Report of: Paul Wilkinson, City Surveyor Nick Gill, Investment Property Director	For Information

Summary

This paper 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 CAS NZ4 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 will be actioned in due course to manage this work and its outcomes as well as the overall Climate Action Strategy (CAS) NZ4 plan.

Furthermore, a Sustainability Consultant has been employed who will act as our critical friend and ensure quality assurance – James Holliday from Arcadis.

Recommendations

The Property Investment Board and Bridge House Estates Board are, as relevant to their terms of reference, recommended to:

- Note the progress update; and,
- Note the continuation of the CAS NZ4 plan for resourcing the Sustainable Property Specialist in order to ensure the continued success of this programme

Background and context

1. In January 2020 the City of London Corporation (City Corporation) set out on a fast-paced, cross-corporation journey to develop an ambitious CAS. At that point, the City Corporation needed to assess the carbon footprint across both its own varied holdings, and across the Square Mile - as well as develop a plan to achieve Net Zero by 2027 for scope 1 and 2 emissions and 2040 for scope 3 (including the Investment portfolio).
2. The CAS marked the start of a new and transformative programme of action. The CAS was adopted by the Court of Common Council for the City Corporation, both as Trustee of Bridge House Estates (BHE) and in delivering its wider functions and activities, on 8 October 2020. Fifteen costed project delivery areas have since been consolidated into ten project plans.
3. This paper provides an update to tasks 1a, 1b, 2 and 4 of the Investment Property Group Project Plan of the Climate Action Strategy (affecting all Funds, including BHE). 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
 - **4** – Design an operating plan to identify a pathway to 60% emissions reductions by 2040, identifying major milestones and investment strategy.
4. The general approach to this project includes the following:
 - **Data gathering** – including building floorplans, equipment schedules, O&Ms, 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 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 (WSP and Currie & Brown) have been appointed and instructed to commence the first phase of buildings for a combined fee of £368,890 compared with a budget of £400,000

approved by Members in January 2021. Kick off meetings were held in September 2021.

7. Due to the size and scope of the task in hand, the surveys will be carried out in 2 phases. Phase one includes directly managed properties that have lease events in the near horizon and are not being refurbished under the Gateway process, that will provide opportunity to implement actions identified by the surveys. This includes 32 net zero surveys and 152 EPCs in WSP scope and 19 net zero surveys and 74 EPCs for Currie & Brown. 22 Buildings have been surveyed to date.
8. The second phase of buildings – primarily buildings being refurbished under the Gateway process and those subject to FRI leases - are subject to MEES analysis and quotation, due mid November. Once received, a budget will be requested and a variation to the existing contract will be enacted, to include these buildings within the same scope of work within the current financial year.
9. Collation of building data and surveys of buildings has commenced and the project is due to complete in April 2022. Progress is good and around 50% of buildings within the scope of the first phase have had a site survey carried out.
10. Pilot sites were selected as a way of understanding any logistical and communication problems that may be encountered with conducting surveys, and the learning will apply across all the Funds' portfolios. These have now been completed successfully after some initial problems with access, and feedback distributed. Reporting format and draft outputs of recommendations and costs for reaching Grade B and net zero will be reviewed to ensure the output is as requested.
11. Recommendations of one pilot site will be accelerated in order to allow the outputs to be refined, prior to analysis being carried out on other properties.
12. Part of the scope of works includes developing a metering strategy, which will follow the data gathering and site visit exercises
13. As per the CAS – a Sustainable Property Specialist is currently being resourced. The job description has been agreed and we have approached consultants to tender for this service as part of the Centre of Excellence structure. Responses are expected and decisions made in early December.
14. The project is continuing according to schedule as per the IPG-1a, 1b, 2 and 4 (see Appendix A).
15. The CAS includes Capital Projects (Design) standard (NZ3) and Resilient Building (RS3) 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 Corporation's physical assets.
 - Development of Buildings Resilience Action Plan.
 - Dovetailing of identified interventions into existing estates/asset strategy.
16. Work has begun on the whole life cycle carbon assessments. Etude have been commissioned to produce an initial scoping study to define the scope of the assessments based on the type, scale and stage.
17. The initial baseline assessment will be reviewed (as a priority) by a third party to ensure it is an accurate representation of the portfolio. As part of this, benchmarking will be undertaken against any available metered data.
18. A metered data sharing memorandum of understanding (MOU) with smart metering pilot will be introduced from April 2022, demonstrating the benefit of improving data confidence.

Corporate and strategic implications

19. 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.

For BHE, this project supports the aims and objectives of its overarching strategy, *Bridging London 2020-2045*.

20. 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.
21. Financial Implications: Following the results of this work, costs for improvement of assets to EPC Grade B will be incorporated into asset plans for all three Funds, including BHE.

22. Resource Implications – There are no new resource implications beyond what was approved by Court on 8th October 2020. The overall budget envelope for Y1 has been confirmed by Policy and Resources Committee on 8th April 2021. The original Y1 budget and action plan was approved by Policy & Resources Committee prior to new governance arrangements for BHE being in place. Subsequently, the BHE Board in July 2021 approved the specific costs for actions relating to BHE and has included this in its 2021/22 budget. This report confirms the intention to proceed with recruitment of a Sustainable Property Specialist to support the CAS Programme item 5c.

23. 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

24. Year 1 of the CAS NZ4 Plan is proceeding as per Schedule (Appendix A). The recruitment of a Sustainable Property Specialist is key to the continued successful management of this programme.

Report author

Edmund Tran

Senior Energy Engineer

City Surveyor's Department

E: edmund.tran@cityoflondon.gov.uk

APPENDIX A – IPG CAS Programme

Project Schedule & Gantt Chart

[illegible]