

Committee	Date
Bridge House Estates Board	27 April 2022
Subject: Progress Update – Minimum Energy Efficiency Standards & Net Zero Carbon Action Plan for Investment Property Portfolio	Public
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?	N/A
What is the source of Funding?	As approved under CAS for Y1 approved by Policy and Resources on 8 April 2021 & by BHE Board on 14th July 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

The City Corporation as Trustee of Bridge House Estates (BHE) has adopted the City Corporation’s Net Zero Carbon Action Plan as being in the best interests of the charity. 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 in order to manage this work and its outcomes as well as the overall CAS plan.

Recommendations

The Bridge House Estates 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”.
- iii. Note that a request for a carry forward budget of £121,000 from the budget allocated in 2021-22 from contingency funds for the energy performance surveys due to the phased delivery approach detailed in the main report will be made.

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 (held in its various capacities, including as Trustee of BHE), 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 2040 for scope 3 (including the Investment portfolios held by each of the Funds, including as Trustee of BHE).
2. The CAS marked the start of a new and transformative programme of action. On 8 October 2020 the CAS was adopted by the Court of Common Council for the City Corporation, as Trustee of BHE and in delivering its wider functions and activities. Fifteen costed project delivery areas have since been consolidated into ten project plans.
3. This report provides an update to your board for BHE tasks 1a, 1b, 2 and 4 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, noting that the BHE Board has adopted a more ambitious timetable with 2040 as a long-stop date.
 - **5c** – Recruitment of Sustainable Property Specialist resource to manage workflow.
 - **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 22 BHE buildings across two phases of work. The fee for this work is £163,726 which is funded from CAS Y1 and Y2 budgets. The first phase (3 buildings) has been surveyed and draft reports currently under review. The second phase (19 buildings) has commenced surveying with four buildings surveyed and awaiting draft reports.
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 (and better) is planned for Q4. The spend to date on the surveys is circa £29k and a request will be made to carry the balance of the £150k Year 1 budget forward.
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 draft year 2 plan for tasks IPG-1a, 1b, 2 and 4 (see Appendix A). The year 2 plan is currently draft pending approval at the P&R Committee on 5th May 2022 and BHE board on 6th July 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 and BHE'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 initial CO2 baseline assessment will be reviewed independently (as a priority) by a third party to ensure it is an accurate representation. As part of this, benchmarking will be undertaken against any newly available metered data.
15. Work has begun with external legal advisors Charles Russell Speechlys and the Comptroller & City Solicitor's Department in developing a template for Green Leases, to be introduced to new upcoming leases. A working group series of meetings have been scheduled and a draft is to be released in April 2022 for internal review. For existing leases, a 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 in Q1 2022.

Corporate and strategic implications

16. Strategic implications: For BHE, this project supports the aims and objectives of its overarching strategy, Bridging London 2020-2045 specifically aim 2 – to be sustainable. 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 insofar as they are in the best interests of BHE to support:
 - 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 for BHE [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 8th October 2020. The overall budget envelope for Y1 has been confirmed by Policy and Resources (P&R) on 8th April 2021 and by the BHE Board on 14th July 2021. The original Y1 budget and action plan was approved by P&R 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 had included this in its 2021/22 budget. 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 which is reflected in the BHE’s own risk register and management framework.

Conclusion

21. 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.

Appendices

- Appendix 1 – IPG CAS Year 2 Programme (draft)

Edmund Tran

Senior Energy Engineer, City Surveyor's Department

E: edmund.tran@cityoflondon.gov.uk