BPF

BRITISH PROPERTY FEDERATION

The Commercial Landlords Accreditation Scheme

First annual report 2007/2008

Introduction

The Commercial Landlords Accreditation Scheme is the first scheme of its kind in the UK aimed at commercial property owners. It is based on a code of practice called the Leasing Business Premises Code: www.leasingbusinesspremises.org.uk, which was developed by a group comprising representatives of landlords, occupiers, agents, lawyers and bankers; and, is supported by Government, through the Department for Communities and Local Government.

The scheme is open to all landlords that operate in England and Wales. Landlords have to abide by the scheme rules, which require landlords to:

- Inform prospective occupiers at the start of negotiations that they are scheme members, using the scheme postcard or making suitable alternative arrangements.

- Provide prospective small business tenants with some basic information that explains the risks and pitfalls when taking a commercial lease, specifically the Leasing Business Premises: Landlord Code 2007, Heads of Terms Checklist and Occupier Guide.

- Abide by the Leasing Business Premises: Landlord Code 2007.

- Communicate to the occupier if there are any Code requirements that the landlord is unable to fulfil, and explain to the occupier why this is the case .

- Supply prospective occupiers with their own written complaints procedure and a named contact who handles complaints. This must offer to deal with complaints within 28 days of receipt.

Landlords that sign up to become members of the scheme must self-certify that they agree to follow these rules. If they do not there is a formal process for raising complaints, which is overseen by an independent Standards Board.

After its first year of operation the scheme has 34 members, who own between them in excess of 400 million square feet of commercial property, which represents 15.5 per cent of the let commercial property market. More details on the scheme can be found at www.clascheme.org.uk.

Chairman's statement

The Commercial Landlords Accreditation Scheme is the property industry's first foray into accreditation and therefore at the launch of the scheme a year ago it was difficult to know what to expect. I therefore welcome this first annual report as an opportunity to comment on the scheme's first year of operation and to look ahead to year two.

The role of the Standards Board is to consider complaints against members of the scheme who have failed to uphold the standards of the Leasing Business Premises Code 2007. In our first year we have had no complaints to consider. However , as the Annual Report notes, although landlords representing some 15.5% of the let commercial property market have joined CLAS, a very large number of commercial landlords including smaller landlords and the public sector have yet to do so. It would have been surprising if we had received complaints against those who joined the scheme early.

We have made a number of suggestions as to how membership of the scheme might be encouraged. I have written to Francis Salway, the President of the British Property Federation, offering the Board's help in taking these forward.

We very much hope to see a significant increase in membership during our second year. We will not be sorry if we have another complaint free year provided that we can demonstrate that a very large number of commercial landlords have joined CLAS and are abiding by the leasing Code. The Board will be monitoring developments.

Dame Mavis McDonald
Chair of the Standards Board

Review of the Year

Context

The scheme was launched in July 2007 as one means of supporting the new, 2007, Leasing Business Premises Code. To that end the scheme has two primary purposes: to provide some positive recognition for landlords who commit to follow the 2007 code and the rules of the scheme, which underpin this; and, to provide some comfort to occupiers, prospective occupiers and their representatives that where a scheme member claims to follow the code and scheme rules and fails to do so, there will be a means of fairly pursuing a complaint against them.

The underlying code has not undergone any revision over the past year. Two information papers were issued in March 2008 to mark the first anniversary of the code. These covered the implications for those involved in lease negotiations of two important legislative changes: the introduction of energy certification into the commercial property market; and, a reduction in the relief available on empty rates.

There is current work being undertaken by the pan-industry group which helped to write the code focussed on green leases, although no immediate plans to incorporate green issues into the code.

A further important development in April 2008 was the launch of a code-compliant lease by the Law Society, aimed at smaller businesses.

It is expected in the forthcoming year that the Government will announce how it will approach an interim review of the code.

Membership

At the end of this first year of operation the Scheme has 34 members and covers organisations with commercial lettings space of about 400 million square feet, which represents about 15.5% of the let commercial property market. The scheme covers a good mix of different commercial landlords, including several of the country's largest landlords. A pleasing development is the membership of some large occupiers who act as landlords – B&Q, Next, Travis Perkins; and, membership of a public sector landlord, Bedford Borough Council. The Board notes, however, that there are some very substantial landlords that have not joined the scheme, also that little headway has been made in attracting smaller landlords.

Promotion of the scheme

The scheme achieved national and trade media coverage at the time of launch in July 2007, but after this initial period, uptake has been slow and the Board is keen to see a significant promotion drive in year two.

A number of new objectives have been set, and along with existing initiatives, will be monitored by the Board. We highlight some of the key activities we would like to see as a Board in year two:

1. We would like the British Property Federation to consider how it improves take up of the scheme amongst its membership. There are some notable large landlords who should be members, but are not. Ideally, we would like to see all BPF commercial property members joining CLAS, and supporting the virtue of self-regulation over statutory intervention.

2. The membership of Bedford Borough Council raises an important point, which is membership of the scheme by public authorities. Local authorities are substantial landlords

that particularly serve the small business community – the key constituency that CLAS and the underlying Code aims to protect. Central Government agencies equally have a key role to play in setting an example. We aim to seek better sign up by public authorities.

3. One of the most useful channels of communicating the scheme to smaller landlords and occupiers is via other parties involved in the transaction process, notably lawyers and surveyors. We note the development of a code consistent lease by the Law Society and shall be exploring how it might be used to promote CLAS membership

4. To provide commercial property agents and lawyers with greater incentive to proactively promote the underlying Leasing Business Premises Code we have designed a logo to award to those professional firms who agree to promote the Code to their occupier clients, unless their landlord principal requests otherwise, rather than the traditional stance that has been taken, which is that agents and lawyers would only promote the code if instructed to by their landlord principals. Firms thus far agreeing to do this include:

Allsop LLP	HBT Gateley Wareing (Scotland) LLP
Anderson Harkins Ltd	Jones Lang LaSalle
Atisreal	Knight Frank LLP
CB Richard Ellis	Lovells LLP
Cluttons LLP	MacArthur Wilson
Colliers CRE Plc	Morgan Williams
Cushman & Wakefield	Nabarro
Drivers Jonas	Russell-Cooke LLP
DTZ	Shepherd & Wedderburn
Gerald Eve	Smith Young
GVA Grimley	Strutt and Parker LLP

5. Ultimately the Board would like to see far greater promotion of the scheme to the small business community. Making use of Government information channels, such as the Business Link network, will be explored.

6. Some feature articles and other activities are planned at this the start of the second year of the scheme, but these are essentially secured for free. The Board believes that the scheme requires continual profile and that raises issues about how it is resourced. Press advertisements, conference literature and attendance would all help gain significantly greater profile for the scheme, but will require resource. We do not believe that charging for membership at this stage would help in promoting the scheme, and therefore will be raising the question of resource with the scheme administrator.

Complaints and compliance issues

There have been no complaints in the first year of operation against scheme members made to the scheme operator, likewise, about the operation of the scheme.

Audit arrangements

The Owners' and Occupiers Property Forum performs an audit function for the scheme, both to ensure it is being operated properly and to consider any modifications to the scheme. A copy of this annual report will be presented to it.

Finances

The scheme is free to member landlords. Any costs incurred in operating the scheme are paid for by the British Property Federation.

The Standards Board

The Board has met once in May 2007. The minutes of that meeting are attached at annex 1.

The current Board members are:

	**Dame Mavis McDonald, DCB (Chair)** Mavis McDonald serves as a Trustee of the Joseph Rowntree Foundation, Chair of the Catalyst Housing Group and is Chair of the Public Sector Construction Clients' Forum. She is also an Honorary Member of the Chartered Institute of Housing. She was a career civil servant from 1966 to 2005. Under successive governments, she has worked on policy and programmes on housing, planning, regeneration, social exclusion and local government. She was Permanent Secretary to the Cabinet Office from 2000 to 2002 and retired as Permanent Secretary to the Office of the Deputy Prime Minister in October 2005. She is not a member of any political party.
	**Peter Best, Head of Asset Management, Prudential Property Investment Managers Ltd** Peter joined Prudential in 1981 and, working alongside the fund managers, he now leads the Asset Management teams responsible for lettings, rent reviews, lease renewals, property management and development. He has an honours degree in Land Management from Reading University and is a member of the Royal Institution of Chartered Surveyors (RICS).
	**Seymour Fortescue, former Chief Executive, Banking Code Standards Board** Seymour Fortescue spent 26 years working for Barclays Bank, where he was Head of Marketing, Chief Executive of Barclaycard and Director, Personal Sector. He was a Director of Visa International, Mercantile Credit and BACS. Since leaving Barclays in 1991, he worked in the voluntary sector as Director of Finance and Fundraising at Imperial Cancer Research Fund and in the public sector as Chief Executive of the prevention arm of the NHS, the Health Education Authority. In 1999, he became the Banking Code Standards Board's first Chief Executive. He retired in September 2006. He has an MA in Economics from Cambridge University, an MSc in Business Studies from the London Business School and is an Associate of the Chartered Institute of Bankers.

David Godden, Chief Operating Officer, Land Securities Trillium

After two years as Managing Director of LS Trillium's Services Group David was appointed to the position of Chief Operating Officer in November 2001.

David joined LS Trillium from Johnson Controls in October 1999, and prior to that worked for international insurance broker Johnson and Higgins as Managing Director of its insurance services subsidiary based on the Isle of Man. He previously spent 13 years with British Aerospace, including three years in Australia as General Manager of the company's outsourcing and customer support operation. He has a law degree from Cambridge University.

Alan Leibowitz, Joint Managing Director, Dorrington Holdings

Alan Leibowitz has been involved in the UK property industry for over 30 years. Dorrington, part of the Hanover Acceptances Group, is a long-term property investor in both the commercial and residential sectors, mainly in London. The company also has an active mixed-use development programme.

Alan sits on the boards of the non-property companies within the Hanover Acceptances Group and is also involved with various charities.

Martin Leigh-Pollitt, Board Member, Thurrock Thames Gateway Development Corporation

Martin is a Board Member of Thurrock Thames Gateway Development Corporation and Chairman of its Resources Committee.

He started his career in private practice in Westminster and holds a degree in Urban Land Administration and is a Fellow of the RICS. He went on to work in both the private and public sectors and recently retired as Head of Land & Property at the Office of the Deputy Prime Minister.

Clive Lewis, Head of SME Issues, ICAEW

Clive is head of SME issues at the ICAEW and a chartered and a management accountant. He started his career at a small firm of chartered accountants based in Cardiff, but eventually worked for Coopers & Lybrand on the audit of businesses of varying sizes - from small subsidiaries of plcs to the largest utilities, and has spent 20 years in business finance roles including four years as finance director of a small electronics plc where he was actively involved in re-financing the company and restructuring its operations.

Clive’s later career has been devoted to working with Government on SME issues. He is a regular contributor to online and mainstream media, including the Daily Telegraph Business Club series.

Julian Lyon, Manager, European Real Estate, General Motors

Julian Lyon has worked in property since 1984, beginning on the drawing board, through building surveying, project management, development management, development agency into investment agency. After several years of investment agency experience with industrial consultancy, Henry Butcher & Co, he set up and ran a property and plant and machinery business in Poland.

He now works as European Real Estate Manager for General Motors, with primary responsibility for transaction management in a portfolio of approximately 13m square feet of business space, ranging from offices, dealerships, factories, warehouses and laboratories, with plenty of car parks and roads thrown in. He has an MBA at Manchester with Distinction, and chair the Confederation of British Industry's Property Group.

Glenn Miller, Head of Property, Marie Curie Cancer

Since qualifying as a Chartered Surveyor and Revenues and Rating surveyor in 1986 Glenn has held various senior property posts within both the corporate sector, with organisations such as Shell, Kingfisher, Pepsi Co and Whitbread, and in private practice managing property portfolios such as the British Rail Pension Fund.

Glenn is currently the Head of Property at Marie Curie Cancer and was formerly the Head of Property and Facilities Management at Help the Aged, where he established and managed a property department providing a full advice service to the charity for its 600 unit portfolio.

Glenn is a member of the Association of Charity Shops Property Group and is an APC assessor for RICS, being in charge of surveyor training at the charity.

Joe Simons, Head of Portfolio Management, Alliance Boots Plc

Joe Simons qualified as a surveyor in 1987. He has worked in corporate retail all of his professional life, initially for Sketchley PLC where he dealt with new store acquisitions, disposals and professional matters. He joined Boots Properties where he managed the Northern Region. More latterly he has worked for the Estates Department of Boots the Chemists, in the role of Regional Estates Controller and currently Head of Portfolio Management. His responsibilities cover the management of the occupational cost base of the business, covering 1,600 stores in the UK and Republic of Ireland. In addition, he is also involved in managing space change at a regional level within central London

Joe is currently President of The Property Managers Association.

Members of the Scheme

The following organisations were members of the Commercial Landlords Accreditation Scheme at the end of July 2008:

Acaster LLP	Corve Street, Ludlow
B & Q Properties Limited	Chestnut Avenue, Chandlers Ford
Bedford Borough Council	St Paul's Square, Bedford
The British Land Company Plc	Seymour Street, London
Brixton Plc	Berkeley Street, London
Brymau Estates Limited	Hope Street, Chester
The Crown Estate	New Burlington Place, London
Dorrington Plc	Hans Road, London
Evenbrook Group Ltd	High Street, West Bromwich
The Equiton Industrial Partnership Limited	Berkeley Street, London
Exemplar Properties	Market Place, London
Frogmore Property Company Ltd	Wigmore Street, London
Grainger Plc	St James Boulevard, Newcastle
Great Portland Estates Plc	Cavendish Square, London
Grosvenor	Grosvenor Street, London
Hammerson Plc	Grosvenor Street, London
The Heathrow Big Box Fund Limited	Berkeley Street, London
Hermes Real Estate	Portsoken Street, London
Invista Real Estate Investment Management Limited	St Mary Axe, London
J A Rankin & Co	Old Roar Road, St Leonards on Sea
Land Securities Group Plc	Strand, London
Layard Horsfall	Godalming, Surrey
Lend Lease	Maltravers Street, London
Next Plc	Desford Road, Leicester

Prudential Property Investment Managers Ltd	High Holborn, London
RB Draper Ltd trading as Accommodate	Dartford, Kent
Redevco UK Ltd	James Street, London
The Rutland Group Ltd	Cranleigh, Surrey
Segro Plc	Bath Road, Slough
Simmons & Hawker Ltd	Central Way, Feltham
South Kensington Estates Limited	Cromwell Place, London
Stow Securities Plc	Mount Street, London
Travis Perkins	Harlestone Road, Northampton
Workspace Group Plc	Whitechapel Road, London

Annex 1 - Minutes of the board meeting held on May 2007

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British Property Federation, 1 Warwick Row
7th Floor, London, SW1E 5ER

Tuesday 26th June 2007 at 10am

In attendance:

Dame Mavis McDonald
Peter Best
Alan Leibowitz
Martin Leigh-Pollitt
Clive Lewis
Julian Lyon
Glenn Miller
Joe Simons

Ian Fletcher (secretary)
Liz Peace (guest)

Apologies were received from:

Seymour Fortescue
David Godden

1. Introductions

Dame Mavis McDonald welcomed Board members, who were asked to introduce themselves. The Board enquired about its make up? Was there sufficient SME representation? Was there a retail bias? Was there sufficient smaller landlord representation? Ian Fletcher explained that the SME representation would come through Glenn Miller and Clive Lewis. General Motors were not retail and the landlord representatives covered the whole of the sector. Alan Leibowitz from Dorrington would provide the voice of the smaller landlord. Ian Fletcher felt that within the confines of 10 people there was a sufficient cross section of different interests.

2. Background on CLAS

Sir Bryan Carsberg provided a review of the background to the scheme. Ian Fletcher then provided a short presentation on the scheme details, using the scheme website as a prompter. The Board were invited to comment.

The Board raised the following points:

i. There should be some time limit on members' complaints procedures and this should be referred to the Owners' and Occupiers' Property Forum to decide on the best time limits. (Note: this was done and is set at 7 days to acknowledge the complaint and a further 21 days to respond. In exceptional

circumstances a holding response can be made and a further 28 days taken. The scheme manual has been amended accordingly)

ii. Whether a further appeal stage was necessary after the Board. This was something the Owners' and Occupiers' Property Forum had inserted. It was felt by the Board that such a stage may be unnecessary. The rationale had been that the scheme could be subject to judicial review for its decisions. The Board questioned whether the appeal process set out would be considering matters of procedure or the decision itself? It was agreed that the matter be referred back to the Owners' and Occupiers' Property Forum. (Note: The Forum decided that this further appeal step needed further investigation and that it was somewhat illogical to have an individual investigating the decision of a group of independent people. In any case, whether the Board would be categorised as a public body and therefore subject to judicial review was questionable and is currently being looked at by a lawyer. The Forum also thought it advisable for the BPF to check that its Legal Indemnity cover would be sufficient to cover cases against Board decisions that might end up in Court. This is being investigated. The decision of the Forum was to strike this appeals mechanism out of the scheme rules until there was sufficient evidence it was needed.)

iii. The case worker stage could perhaps be explained in clearer terms.

iv. The Code was not black and white and that could lead to future issues of interpretation for the Board. Ian Fletcher explained the political circumstances behind the Code and why the scheme was based around the Leasing Business Premises Code 2007.

3. Function and working methods of the Board

The Board agreed that it would be helpful to arrange quarterly meetings of the full Board and to schedule in meetings a year in advance to avoid diary conflicts. To ensure that complaints were dealt with swiftly, however, the Board might need to meet between meetings and the quorate numbers were noted. Until the scheme was operational it was hard to predict how many complaints would be forthcoming.

It was stressed that in particular cases Board members should stress conflicts of interest and that might affect the ability to recruit a board that was quorate and able to adjudicate.

The Board discussed confidentiality. There was a keenness to be transparent and therefore it was agreed that Board minutes would be published on the CLAS website. The specific parties to a complaint, however, would be kept anonymous, unless the Board found against a landlord and part of their sanction was to publicise this. Generally, the Board felt that where complaints helped clarify issues or established good practice these should be published in a suitable format.

The Scheme rules suggested that only the Board could prompt an oral hearing for complaints to it and there was no right written into the scheme rules for the parties to a complaint to ask for an oral hearing. Ian Fletcher explained that the reasoning was to avoid the complaints process turning into something very legalistic, where parties turned up with their lawyers. The right of the Board to call an oral hearing was to assist it where points of clarification or technical input were required. There was some concern as to whether preventing an oral hearing would infringe on the parties' human rights. Could the Board not publicise that oral hearings would be allowed, but have some procedure for considering requests where a party asked for an oral

hearing. If so, if one party asked, the other party would have to be given the same opportunity. The Board asked for the point to be referred to the Owners' and Occupiers' Property Forum – the architects of the scheme.

4. Launch arrangements

Ian Fletcher explained that there were no plans for an event-type launch. The aim was to have a press-launch, probably over a weekend targeting the small business pages of the national press, trade press and broadcast media on a Monday. Support to publicise the scheme was also being sought through the small business trade organisations and more broadly the organisations which support the Leasing Business Premises Code. The main purpose in raising it with the Board was that there was bound to be some press interest in the membership of the Board and to therefore alert members of the Board that they may be approached for comment. The Board would be kept informed of the launch arrangements.

5. Any other business

It was agreed it would be useful to invite Sir Bryan Carsberg to attend a meeting of the Board on an annual basis.

There was no other business.

6. Date of next Board meeting

To be confirmed, subject to consultation with Board members.

Annex 2 - The Scheme logos

For landlords

For agents

For lawyers

How to contact us

The Commercial Landlords Accreditation Scheme was shaped by the Owners' and Occupiers' Property Forum and is operated by the British Property Federation (BPF).

The members of staff who work on the scheme are Ian Fletcher, Director, and James Anderson, Policy Officer, at the BPF.

For all scheme correspondence contact:

CLAS Scheme Operator
1 Warwick Row
7th Floor
London
SW1E 5ER

Tel: 020 7802 0112
Fax: 020 7834 3442
Email: clas@bpf.org.uk

For more details on the scheme see: www.clascheme.org.uk

For more details on the Leasing Business Premises: Landlord Code 2007, see:

www.leasingbusinesspremises.co.uk