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Committees: Corporate Projects Board - for decision Projects Sub - for decision Corporate Asset Sub-Committee – for decision under Urgency (to be circulated via e-mail)	Dates: 26 February 2020 16 March 2020 04 March 2020
Subject: Energy Reduction Programme – Phase 1 Unique Project Identifier: 12210	Gateway 2: Project Proposal Regular
Report of: City Surveyor Report Author: Mark Donaldson	For Decision
<h1>PUBLIC</h1>	

Recommendations

1. Next steps and requested decisions	<p>Project Description: The Corporate Energy Team propose a programme of 8 energy efficiency projects within the corporate operational site portfolio to provide savings of £263k/year with a simple payback under 5 years. The 8 projects will effectively be sub-projects, progressed and managed as a single overall 'Phase 1' project.</p> <p>Next Gateway: Gateway 3/4 - Options Appraisal (Regular)</p> <p>Next Steps:</p> <p>Engage with consultants to develop the outline design and provide technical detail to support production on the Gateway 3/4 and undertake asbestos surveys to allow for asbestos risk to be identified and mitigation costed.</p> <p>Requested Decisions:</p> <ol style="list-style-type: none"> 1. That budget of £40,250 is approved to reach the next Gateway, consisting of £16,000 from City Fund reserves and £24,250 from City Cash reserves; 2. Note the project budget of £1,153,000 plus estimated risk allowance of £60,700 to be funded £246,000 from Carbon Offset fund with the remaining cost of £968,000 to be met from City Fund and City's Cash reserves; 3. That a Costed Risk Provision of £10,100 is approved (to be drawn down via delegation to Chief Officer in consultation with the Chamberlain) to be funded £3,200 from City Fund reserves and £6,900 City's Cash reserves. 											
2. Resource requirements to reach next Gateway	<table border="1"> <thead> <tr> <th>Item</th> <th>Reason</th> <th>Funds/ Source of Funding</th> <th>Cost (£)</th> </tr> </thead> <tbody> <tr> <td>Asbestos Surveys</td> <td>Quantify asbestos risk and mitigation cost for</td> <td>See below</td> <td>£15,000</td> </tr> </tbody> </table>				Item	Reason	Funds/ Source of Funding	Cost (£)	Asbestos Surveys	Quantify asbestos risk and mitigation cost for	See below	£15,000
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		M&E works		
	Consultant Engineers	Technical verification and outline design	See below	£25,250
	Total	from City Fund from City Cash	£16,000 £24,250	£40,250
	<p>Item costs are split between City Fund and City Cash in accordance with the works for each sub-project and which funding source there are allocated to. At this stage, staff costs are to be covered from existing resource. From GW 3/4 funding shall be requested for the recruitment of a fixed term Project Management post.</p> <p>Costed Risk Provision requested for this Gateway: £10,100</p> <p>This is to cover the risk of the additional consultancy services being identified by the consulting engineer. This is to be funded from £3,200 from City Fund and £6,900 from City Cash.</p>			
3. Governance arrangements	<p>All projects will be reported collectively to the following:</p> <ul style="list-style-type: none"> • Corporate Asset Sub-Committee. • SRO: James Rooke, Head of Energy & Sustainability. • It is proposed a dedicated client Project Manager is recruited who will update the Energy Board on progress throughout the project life. 			

Project Summary

4. Context	<p>4.1 The Corporation is committed to targets for reducing energy consumption and carbon emissions.</p> <p>4.2 Energy costs have increased substantially over recent years and are anticipated to continue to increase.</p> <p>4.3 There are opportunities to improve the energy efficiency of building services and provide an attractive payback on the capital invested.</p>
5. Brief description of project	<p>5.1 The City Surveyor's Corporate Energy Team identified a pipeline of energy reduction projects which is proposed to roll out in phases. This report covers Phase 1, which is a completely discrete programme (from further phases) of 8 sub-projects. See Appendix 3 for additional details.</p>
6. Consequences if project not approved	<p>6.1 Increased risk of not achieving targets for energy and carbon emissions.</p> <p>6.2 Increased energy costs to the City of London Corporation.</p>
7. SMART project objectives	<p>7.1 Each project achieves specified performance and design parameters.</p> <p>7.2 Project is delivered by April 2022.</p> <p>7.3 Cost savings of £263k/year* achieving a simple payback under 5 years for the overall project (i.e. collectively for the 8 sub-projects).</p> <p>7.4 Energy consumption savings of ~2,000 MWh/year.</p> <p>7.5 Carbon emission savings of 528 tCO2e/year.</p> <p>* revised down from £288k/year stated in the Project Briefing due to revised lower energy price forecasts.</p>

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8. Key benefits	8.1 Compliant and high-quality services which satisfies needs. 8.2 Lower energy and maintenance costs for the City of London Corporation. 8.3 Energy savings contribute towards City of London Corporation targets.
9. Project category	3a. Spend to save
10. Project priority	B. Advisable
11. Notable exclusions	None.

Options Appraisal

12. Overview of options	12.1 A specific options appraisal will be carried out for each of the 8 sub-projects mainly focused on the scope of the installation and its impact on the return on investment (capital costs and simple payback).
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Project Planning

13. Delivery period and key dates	<p>Overall project: GW3/4 between Jul-20 to Oct-20; GW5 between Dec-20 to Jun-21; Completion between Dec-21 and Jul-22; GW6 between May-22 and Jan-23.</p> <p>Key dates: See Appendix 3 for additional details.</p> <p>Other works dates to coordinate: None.</p>	
14. Risk implications	<p>Overall project risk: Medium</p> <p>The costed risk post-mitigation is estimated at £73,200.</p> <p>Technical engineer surveys shall be produced to support project budget cost refinement and robust risk management. In addition to the £25,250 requested for this a further £10,100 is requested as a costed risk provision for potential additional consultancy services.</p> <p>Further information available within the Risk Register (Appendix 2)</p>	
15. Stakeholders and consultees	Chamberlains: Finance	John James Hazel Lerigo Simon Owen
	Chamberlains: Procurement	James Carter
	IT	TBC
	HR	TBC
	Communications	TBC
	Corporate Property	Pete Collinson, Alison Bunn, Mark Lowman, Jonathan Cooper, Paul Friend
	DBE	Janet Laban

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	Property specific stakeholders	See Appendix 3.
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Resource Implications

16. Total estimated cost	<p>Likely cost range (excluding risk): £1,153,000 - £1,257,000</p> <p>The lower range has increased from the £980,000 stated in the Project Briefing to incorporate the £120,000 to appoint a Project Manager for 18 months and an increased budget for technical and asbestos surveys.</p> <p>Likely cost range (including risk): £1,153,000 – £1,317,000</p>									
17. Funding strategy	Choose 1: Partial funding confirmed	Choose 1: Mixture - some internal and some external funding								
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Total	£1,227k									
<p>Resource Allocation Sub Committee meeting in December 2019 decided to allocate £978k in principle to this project. If the cost (including risk) is anticipated exceed the total identified funding, then additional funding may be requested provided the business case for a payback <5 years is still met. If additional funding to that identified above is not available, then the project will recommend descoping or value engineering to meet available budget limits while maintaining the business case payback target.</p> <p>See Appendix 3 for additional detail regarding Smithfield car park lighting.</p>										
18. Investment appraisal	<p>Whole-life-cost assessment will be undertaken. This will compare the energy and maintenance cost savings and other relevant revenue implications over the anticipated life of the replaced asset.</p> <p>The business case will be verified through post-installation monitoring of actual energy consumption, compared to a pre-installation baseline and normalised for the weather and other unrelated variables. Results reported at Gateway 6.</p>									
19. Procurement strategy/route to market	<p>It is proposed the projects be separately procured based on their building services categories. See Appendix 3 for additional detail.</p>									
20. Legal implications	<p>20.1 None.</p>									

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21. Corporate property implications	21.1 Investment in energy efficiency measure is needed in order to meet the City of London's energy targets. 21.2 See Appendix 3 for additional detail regarding Smithfield car park lighting.
22. Traffic implications	22.1 None.
23. Sustainability and energy implications	23.1 The main aims of these projects are to improve energy efficiency as set out in the Project Summary above.
24. IS implications	24.1 None.
25. Equality Impact Assessment	An equality impact assessment will be undertaken.
26. Data Protection Impact Assessment	The risk to personal data is less than high or non-applicable and a data protection impact assessment will not be undertaken.

Appendices

Appendix 1	Project Briefing
Appendix 2	Risk Register
Appendix 3	Additional Project Details

Contact

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