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<p>Committees: Policy & Resources Committee under for DECISION under DELEGATED AUTHORITY CASC for Information Project-Sub (Finance) for Information Procurement-Sub (Finance) for Information Corporate Projects Board for Information</p>	<p>Dates: 11 Mar 2021 28 Apr 2021 24 Mar 2021 12 Apr 2021 10 Mar 2021</p>
<p>Subject: Gateway 2 Report: PSDS Project Proposal</p> <p>Unique Project Identifier: TBC</p>	<p>Gateway 2: Project Proposal Complex</p>
<p>Report of: City Surveyor</p> <p>Report Author: James Rooke</p>	<p>For Decision</p>
<h1>PUBLIC</h1>	

Recommendations

<p>1. Next steps and requested decisions</p>	<p>Project Description: the City of London have been awarded c.£9.4m of grant funding through the government’s Public Sector Decarbonisation Scheme (PSDS) to deliver projects to achieve carbon savings through upgrading building services (heating, cooling, ventilation, and lighting) and improve building controls and energy metering across the following four sites: Guildhall, Barbican Arts Centre, Guildhall School of Music and Drama (GSMD), and the London Metropolitan Archives (LMA).</p> <p>Funding Source: A grant under s.31 Local Government Act 2003 from the Department for Business, Energy and Industrial Strategy (BEIS) to cover 100% of the project costs set out in the approved City of London application to the PSDS.</p> <p>Next Gateway: Gateway 3 - Outline Options Appraisal (Complex) for the bulk of the PSDS projects and Gateway 3/4 - Options Appraisal (Regular) for some of the PSDS projects.</p> <p>Next Steps: Commence the PSDS Project before 31st March 2021. Present either a Gateway 3 and Gateway 3/4 papers under urgency, or in accordance with alternative approved arrangements. Commission consultancy services to support project development and delivery.</p> <p>Requested Decisions:</p> <ol style="list-style-type: none"> 1. Note the total estimated cost £9,445,943 for the PSDS Project, which is funded from the PSDS grant awarded. 2. Approval to proceed to the next Gateway stage.
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	<p>3. Approval to proceed to the next stage for engaging with the Retrofit Accelerator framework.</p> <p>4. Approval for a budget allocation of £500k, from the available PSDS grant funding, for the procurement of consultancy services to mobilise and support the PSDS Project.</p>												
<p>2. Resource requirements to reach next Gateway</p>	<table border="1" data-bbox="419 506 1437 808"> <thead> <tr> <th data-bbox="419 506 707 607">Item</th> <th data-bbox="707 506 1031 607">Reason</th> <th data-bbox="1031 506 1278 607">Funds/ Source of Funding</th> <th data-bbox="1278 506 1437 607">Cost (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="419 607 707 741">Consultancy services and technical surveys</td> <td data-bbox="707 607 1031 741">To mobilise the PSDS Project</td> <td data-bbox="1031 607 1278 741">Awarded PSDS grant funding</td> <td data-bbox="1278 607 1437 741">£500,000</td> </tr> <tr> <td data-bbox="419 741 707 808">Total</td> <td data-bbox="707 741 1031 808"></td> <td data-bbox="1031 741 1278 808"></td> <td data-bbox="1278 741 1437 808">£500,000</td> </tr> </tbody> </table> <p>The project costs as set out in the approved grant application includes an estimated budget of £1.28m for the costs of design, engineering and project delivery. Of these costs we have budgeted for £595k for client-side project management and engineering consultancy support. This additional resource is required to support City Surveyor’s to deliver the project due to the scope of works and challenging deadline.</p> <p>Costed Risk Provision requested for this Gateway: £95,000 For expenditure on additional consultancy services as required to support reaching the next gateway.</p>	Item	Reason	Funds/ Source of Funding	Cost (£)	Consultancy services and technical surveys	To mobilise the PSDS Project	Awarded PSDS grant funding	£500,000	Total			£500,000
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Consultancy services and technical surveys	To mobilise the PSDS Project	Awarded PSDS grant funding	£500,000										
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<p>3. Governance arrangements</p>	<p>The governance arrangements and recommendations are set out in a separate committee paper, titled ‘PSDS Project Approval and Governance’, see Appendix 1. This separate paper recommends a Project Board is established, responsible for the development and delivery of the project, in line with City of London guidance, to provide leadership, governance and risk management, communication and support. The proposed membership includes senior officer and stakeholder representation, with Member oversight to provide governance, and sponsorship for the development and delivery of the projects. The paper also recommends an expediated project approval process through either delegated authority or urgency.</p>												

Project Summary

<p>4. Context</p>	<p>4.1 The City of London is committed to targets for reducing energy consumption and, in support of its Climate Action Strategy, achieving net zero carbon emissions for its operational properties by 2027.</p> <p>4.2 The Department for Business, Energy and Industrial Strategy (BEIS) launched the £1b Public Sector Decarbonisation Scheme in October 2020, open to public sector bodies to apply for capital funding towards carbon reduction projects for non-domestic buildings. The scheme is administered by Salix: https://www.salixfinance.co.uk/PSDS.</p> <p>4.3 The City of London applied to the Grant Scheme on 11th January 2021 and on 26th February accepted an offer for £9,445,944 of grant funding</p>
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	<p>to cover 100% of the anticipated costs for the projects set out in our application.</p> <p>4.4 The conditions of the grant funding are set out in the <i>Grant Offer Letter</i> and <i>Memorandum of Understanding</i>, copies of which are included in Appendix 1.</p>																												
<p>5. Brief description of project</p>	<p>5.1 The PSDS project includes works (26 sub-projects) to upgrade M&E building services (heating, cooling, ventilation, and lighting) and improve building controls and energy metering across the following four sites: Guildhall, Barbican Art Centre, GSMD, and the LMA. We estimate the projects will deliver carbon savings of c.1.5 ktCO₂e/yr and energy cost savings of c.£875k/yr.</p> <p>5.2 Financial savings that are made will accrue back to the City as a contribution to the Build Back Better Fund held in City Fund or City's Cash as appropriate. As a consequent departmental local risk budgets will be adjusted accordingly. The PSDS Project Board will need to receive a regular report on these savings to allow appropriate budget adjustments to be made</p> <p>5.3 These projects have been developed over the last few months by the Energy Team (in consultation with Facilities Management) through fully grant funded consultancy support.</p> <p>5.4 The below table provides a summary of the key project figures relating to each site, and further details on the specific projects are provided in Appendix 2. Note: N/A relates to software packages to support metering/control across all sites.</p> <table border="1" data-bbox="435 1193 1422 1487"> <thead> <tr> <th>Site</th> <th>Total Project Cost</th> <th>Energy Cost savings (£/yr)</th> <th>Carbon savings (tCO₂e/yr)</th> </tr> </thead> <tbody> <tr> <td>BAC</td> <td>£3,545,957</td> <td>£311,815</td> <td>516</td> </tr> <tr> <td>GSMD</td> <td>£3,129,723</td> <td>£211,023</td> <td>456</td> </tr> <tr> <td>GHC</td> <td>£2,484,072</td> <td>£341,917</td> <td>570</td> </tr> <tr> <td>LMA</td> <td>£97,257</td> <td>£10,001</td> <td>8</td> </tr> <tr> <td>N/A</td> <td>£188,939</td> <td>£0</td> <td>0</td> </tr> <tr> <td>Grand Total</td> <td>£9,445,948</td> <td>£874,756</td> <td>1,549</td> </tr> </tbody> </table>	Site	Total Project Cost	Energy Cost savings (£/yr)	Carbon savings (tCO ₂ e/yr)	BAC	£3,545,957	£311,815	516	GSMD	£3,129,723	£211,023	456	GHC	£2,484,072	£341,917	570	LMA	£97,257	£10,001	8	N/A	£188,939	£0	0	Grand Total	£9,445,948	£874,756	1,549
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<p>6. Consequences if project not approved</p>	<p>6.1 A specific condition of the grant funding is that the project is approved and commenced before 31st March 2021. Approval of the gateway 2 Project Proposal would support meeting this condition.</p> <p>6.2 Without approval to commence the project and the recommendations set out in this paper there is a high risk that the awarded funding will need to be returned to BEIS. The PSDS grant represents a significant opportunity to accelerate the delivery of energy and carbon reduction projects through grant funding, hence reducing the burden on the City's finances if such projects were to be financed locally.</p> <p>6.3 The majority of the projects include the replacement/refurbishment of existing building services which would currently require cyclical replacement, and hence investment, within 5-10 years.</p> <p>6.4 Missed opportunity to reduce the carbon emissions of the City of London Corporation by c.1.5ktCO₂e/yr which represents a significant proportion of the reduction requirements to meet the City of London's net zero carbon target.</p>																												

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	6.5 Missed opportunity to reduce the energy costs to the City of London Corporation by c.£875k/yr.
7. SMART project objectives	<p>7.1 The project commences before 31st March 2021.</p> <p>7.2 The project (and all associated works/sub-projects) are complete by 30th September 2021, unless an extension is agreed by Salix.</p> <p>7.3 Each project achieves specified performance and design parameters.</p> <p>7.4 Each project achieves high levels of stakeholder and user satisfaction.</p> <p>7.5 Minimise disruption to the site’s occupants and services.</p> <p>7.6 Energy cost savings of c.£875k/year.</p> <p>7.7 Carbon emission savings of c.1.5ktCO₂e/yr.</p>
8. Key benefits	<p>8.1 Compliant and high-quality building services which satisfies needs.</p> <p>8.2 Lower energy and maintenance costs for the City of London Corporation.</p> <p>8.3 Energy and carbon emission savings contribute towards City of London Corporation targets.</p>
9. Project category	7a. Asset enhancement/improvement (capital)
10. Project priority	B. Advisable
11. Notable exclusions	None.

Options Appraisal

12. Overview of options	<p>12.1 The initial scope of the PSDS project is set out in our approved application. The scope is limited to four sites: Guildhall, Barbican Arts Centre, GSMD, and the LMA. The PSDS project represents a programme of works which includes 26 individual projects as set out in Appendix 2.</p> <p>12.2 As the projects are developed in consultation with stakeholders, and through the tendering process, the scope and budget of the individual projects within the four sites will be refined to meet the project objectives, grant conditions, while maximising value-for-money.</p> <p>12.3 Significant changes to the scope and outcomes from any individual projects would need to be agreed with Salix. It is a requirement for an updated application form, post tender, to be provided to Salix.</p>
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Project Planning

13. Delivery period and key dates	<p>Overall project:</p> <p>Mar-21: Project Board established</p> <p>Mar-21: Mobilisation and support resources procured.</p> <p>Apr-21: Procurement started for Principal Contractor</p> <p>Jun-21: Contract award</p>
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	<p>Jul-21: Commencement of work on-site</p> <p>Sep-21: Project completion (primary target date)</p> <p>Mar-22: Project completion (fall-back latest possible date)</p> <p>Key dates: Project commence before 31st March 2021, Procurement start before 30th April 2021, main construction contract start by 30th June 2021, works completed and paid for by 30th September 2021 (unless an extension is approved by Salix).</p> <p>Other works dates to coordinate: None.</p>
<p>14. Risk implications</p>	<p>Overall project risk: Medium</p> <p>14.1 The Risk Register is presented in Appendix 3. A costed risk register, and hence the estimation of the costed risk post-mitigation, will be produced at the next Gateway, informed by further project development work undertaken by the requested consultancy resource.</p> <p>14.2 There is a high risk to achieving completion by 30th September 2021 through the standard project approval and procurement routes. In addition, the current level of internal staff resource is insufficient to mobilise and support the project delivery.</p> <p style="padding-left: 20px;">a) a request to Salix for an extension. We propose that our tender return for the works would require a programme attached to it, and prior to awarding we will verify with Salix that the programme is acceptable, including any need for an extension; and</p> <p style="padding-left: 20px;">b) curtailing spend commitments beyond the agreed completion date.</p> <p>14.3 Even if an extension is approved by Salix there would remain a medium/high risk of programme slippage beyond this date. To mitigate this risk we propose:</p> <p style="padding-left: 20px;">a) the formation of a new Project Board (see box 3).</p> <p style="padding-left: 20px;">b) procurement of additional project management and technical consultancy services, wholly funded through the PSDS grant, to accelerate project delivery (see box 2).</p> <p style="padding-left: 20px;">c) That the PSDS Board meet at least fortnightly, or more frequently if appropriate, and at each meeting receive details from the Senior Responsible Officer of the progress of works committed to date, the spend incurred, any further proposed commitments, and early warning of any delays or other issues.</p> <p>14.4 The PSDS grant funding awarded is anticipated to cover for 100% of the project costs. At this pre-tender stage there is a risk that the actual project costs could exceed the available grant funding. To mitigate this risk, the application included a contingency cost of c.£1m (c.11% of the total application value). A costed risk register will be developed to ensure sufficient contingency funds are held in reserve throughout the project delivery to manage any known risks (such as asbestos management) as they rise.</p> <p>14.5 In the event of any anticipated overspend beyond this contingency, Salix will be consulted to explore (in line with the terms of the MoU) whether to: request an increase to the Grant, or agree an adjustment to the project scope to be within budget. If neither is agreed, then one or more of the individual 26 projects will need to be cancelled and the grant funding returned for those specific projects.</p>

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15. Stakeholders and consultees	Chamberlains: Finance	John James, Sonia Virdee Hazel Lerigo, Dianne Merrifield
	Chamberlains: Procurement	James Carter, Michael Harrington
	IT	TBC
	HR	TBC
	Communications	TBC
	Corporate Property	Pete Collinson, Alison Bunn, Richard Chamberlain, Jonathan Cooper, Paul Friend
	Property specific stakeholders	See Appendix 4.

Resource Implications

16. Total estimated cost	Likely cost range (excluding risk): £8,418,953							
	<p>The PSDS grant funding awarded is anticipated to cover for 100% of the project costs. At this pre-tender stage there is a risk that the actual project costs could exceed the available grant funding. To mitigate this risk, the application included a contingency cost of c.£1m (c.11% of the total application value). A costed risk register will be developed to ensure sufficient contingency funds are held in reserve throughout the project delivery to manage any known risks (such as asbestos management) as they rise.</p> <p>The Senior Responsible Officer will develop for the PSDS Project Board a strategy to utilise the funds earmarked for the costed risk towards the end of the project should the costed risk items not ultimately be required, in agreement with Salix and the conditions of the grant funding.</p>							
17. Funding strategy	Likely cost range (including risk): £8,418,953 - £9,445,943							
	Choose 1: All funding fully guaranteed	Choose 1: External - Funded wholly by contributions from external third parties						
	<table border="1"> <thead> <tr> <th>Funds/Sources of Funding</th> <th>Cost (£)</th> </tr> </thead> <tbody> <tr> <td>Public Sector Decarbonisation Scheme grant</td> <td>£9.46m</td> </tr> <tr> <td style="text-align: right;">Total</td> <td>£9.46m</td> </tr> </tbody> </table>		Funds/Sources of Funding	Cost (£)	Public Sector Decarbonisation Scheme grant	£9.46m	Total	£9.46m
Funds/Sources of Funding	Cost (£)							
Public Sector Decarbonisation Scheme grant	£9.46m							
Total	£9.46m							
	<p>On 19th February we were informed that our application to the PSDS had passed the technical assessment and the City of London were offered the full applied for value of £9.46m which covers 100% of the anticipated project costs to deliver the PSDS projects in accordance with the terms set out in the <i>Grant Offer Letter</i> and <i>Memorandum of Understanding</i>. The funding was offered in the form of a section 31 grant from BEIS, which was signed by the authorising officer (section 151 officer) on 25th February 2020. The funding is to be received by the City of London no later than 31st March 2021. A condition of the grant is for the funding to be spent by 30th</p>							

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	<p>September 2021 unless an extension is agreed. Any unspent funding is to be returned to BEIS. Risks associated with the funding are detailed in box 14.</p>
<p>18. Investment appraisal</p>	<p>18.1 The projects are to be funded 100% through external grant funding in accordance with our PSDS application. The application sets out the estimated capital costs, anticipated energy cost savings, and project life-time carbon savings. Compliance with the grant funding requires most of the projects collectively achieve a life-time carbon cost of under £500/tCO₂e, and the application sets out a target for achieving £290/tCO₂e.</p> <p>18.2 It is not a condition of the grant funding to achieve particular financial savings or a particular payback period, but these are estimated to be c.£875k/year with an overall payback of 9-10 years.</p> <p>18.3 The Chamberlain have recommended (see appendix 1) that financial savings that are made will accrue back to the City as a contribution to the Build Back Better Fund held in City Fund or City's Cash as appropriate. As a consequent departmental local risk budgets will be adjusted accordingly. The PSDS Project Board will need to receive a regular report on these savings to allow appropriate budget adjustments to be made</p> <p>18.4 The majority of projects are for the repair and replacement of existing building services with more energy efficient equivalents, such as LED lighting. This will result in a reduction in the outstanding maintenance liabilities and future cyclical replacement costs to the City of London.</p> <p>18.5 As the PSDS project develops we shall seek to maximise the cost benefit alongside the carbon benefit and achieving value-for-money.</p> <p>18.6 The estimated costs and savings set out in our application will be regularly reviewed and reported throughout the project. A post-project verification exercise will be carried out, aided by the additional metering equipment and software upgrades included within the project. Energy and carbon savings will be monitored for a period of at least 3-years post-completion, as per the grant conditions.</p>
<p>19. Procurement strategy/route to market</p>	<p>19.1 The total value of the design and build works is c.£9.5m which consists of c.£600k design/engineer costs, and c.£8.8m build (supply & install) costs (including contingency).</p> <p>19.2 PT4 Committee Procurement Report has been completed in consultation with Procurement, see Appendix 5. This recommends a procurement through the Retrofit Accelerator framework through the framework's partner approach.</p> <p>19.3 We anticipate the bulk of the works will be procured through this framework, which includes for a degree of the design element. Alongside this, we anticipate some of the works will be procured through existing CoL frameworks or incorporated into existing contracts of planned procurements where desired.</p> <p>19.4 The Greater London Authority's (GLA) Retrofit Accelerator framework should allow for these works to meet the tight timescale required for project completion and also has the following advantages:</p> <ul style="list-style-type: none"> • A single contract which can deliver the bulk of the projects as required. This simplifies the required procurement activity, and associated contract management.

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	<ul style="list-style-type: none"> • Designed for delivering these types of projects. • Well established framework with successful record. • Combined design and build contract. • Schedule of rates ensures fair value. • Provides an energy performance guarantee. <p>19.5 We have signed a non-binding partnership agreement with the Retrofit Accelerator programme and are completing the preparation stage of the tender process. The following sets out how approval will be requested at the different gateways for this procurement route:</p> <ul style="list-style-type: none"> • GW2: approval for: <ul style="list-style-type: none"> ○ Mini competition conducted, and framework partner (supplier) selected. ○ Partner conducts high level appraisal (short process) to verify their interest in delivering the proposed PSDS projects. • GW3/4: approval for: <ul style="list-style-type: none"> ○ Partner conducts Investment Grade Proposal (IGP). ○ Based on a satisfactory IGP, a works contract is drawn up. • GW5: approval for: <ul style="list-style-type: none"> ○ Enter works contract with partner. ○ Partner proceeds to deliver the projects (supply, install etc.). <p>19.6 We recommend approval is given to proceed to the next stage, which includes a mini-competition and selection of framework supplier, followed by a high-level appraisal by the supplier of the proposed PSDS projects.</p>
<p>20. Legal implications</p>	<p>20.1 The grant has offered under the conditions set out in the <i>Grant Determination Letter, Grant Offer Letter, and Memorandum of Understanding.</i></p> <p>20.2 We have consulted with legal on the use of the Retrofit Accelerator framework and due diligence has been mostly completed, with two remaining actions under enquiry.</p>
<p>21. Corporate property implications</p>	<p>21.1 The PSDS projects represent a significant scope of works within the Barbican Arts Centre, GSMD, and Guildhall (the works at the LMA are of a lower scope).</p> <p>21.2 All stages of these projects will require close consultation with: Facilities Management, site management, and managing/occupying departments. Works to building services need to meet service performance needs and meet occupant satisfaction. Installation needs to be carefully managed to minimise the disruption which will be caused to an acceptable level.</p> <p>21.3 PSDS projects will need to be aligned with other planned building work project to avoid duplication or increased disruption.</p> <p>21.4 PSDS projects will need to be informed by potential changes to buildings to provide confidence that the installed works will persist for the foreseeable future.</p> <p>21.5 Planning approval and listed building consent may be required for some of the works, especially the lighting at Barbican Arts Centre and GSMD Silk Street.</p>

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22. Traffic implications	22.1 The proposed PSDS project for the replacement of the Guildhall East Wing office ventilation fans/motors which are located at roof level, are is likely to require crantage and a traffic management plan to be approved well in advance.
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	Committee Paper - PSDS Project Approval and Governance
Appendix 2	PSDS Projects
Appendix 3	Risk Register
Appendix 4	PSDS Stakeholders RACI
Appendix 5	PT4 – PSDS Project

Contact

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