

Appendix 1: Committee Paper – PSDS Project Approval and Governance

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| Committee(s) | Dated: |
| Policy & Resources Committee for DECISION under DELEGATED AUTHORITY CASC for Information Project-Sub (Finance) for Information Procurement-Sub (Finance) for Information | 11 Mar 2021 28 Apr 2021 24 Mar 2021 12 Apr 2021 |
| Subject: PSDS Project Approval and Governance | Public |
| Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly? | Climate Action Strategy |
| Does this proposal require extra revenue and/or capital spending? | Yes |
| If so, how much? | £9.445m |
| What is the source of Funding? | Government Grant |
| Has this Funding Source been agreed with the Chamberlain’s Department? | Yes |
| Report of: The City Surveyor | For decision |
| Report author: James Rooke | |

Summary

The City of London have been awarded c.£9.445m in government grant funding toward carbon saving projects at a few sites. This report presents the basis for establishing the Public Sector Decarbonisation Scheme (PSDS) Project to deliver these projects, and the project governance arrangements.

Recommendations

Members are asked to:

1. Authorise the PSDS Project, at an estimated cost of £9.445m wholly funded by a Government Grant, whose scope is defined by the *Grant Offer Letter* and *MoU*, attached to this report.
2. Note the separate paper, ‘Gateway 2 Report: PSDS Project Proposal’ and separate recommendations.
3. Approve the formation of a new ‘PSDS Project Board’ to provide governance, leadership, and sponsorship to the PSDS Project in accordance with the draft *PSDS Board Terms of Reference*.
4. Instruct that the PSDS Project Board to first meet no later than 31st March 2021.
5. The PSDS Project Board meets at least fortnightly, or more frequently if appropriate thereafter, and that 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.
6. Note the draft *PSDS Board Terms of Reference* and approve authority for the PSDS Project Board Chairman to finalise these and report back for confirmation.
7. Agree that any revenue savings arising from this project should be credited to the Build Back Better Funds in either City’s Cash or City Fund as appropriate, so that Members can target savings to fund specific priorities and authorises the Chamberlain to adjust departments’ budget according.
8. Authority to be delegated to the City Surveyor to make all decisions related to the gateway approval process, including future gateway and other project reports related to the PSDS Project, in consultation with the PSDS Project Board.

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9. Notes the potential overlap with the City's wider Climate Action programme and instructs the board to coordinate activities with the wider team to ensure there is no duplication and the City achieves value for money.

Main Report

Background

1. The UK government wishes to inject significant financial stimulation and associated job generation into the UK economy through green re-growth in advance of Conference of the Parties (COP) 26. There is therefore a desire for extreme pace on releasing funds for carbon reduction projects in the public sector, with the goal to create economic activity in the near term. The Department for Business, Energy and Industrial Strategy (BEIS) launched the £1b Public Sector Decarbonisation Scheme (referred to as the Grant 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>.

Securing the grant funding

2. We applied to the Grant Scheme on 11th January 2021 for £9.445m. Our application covers projects to upgrade M&E building services (heating, cooling, ventilation, and lighting) and improve building controls and energy metering across the following sites: Guildhall, Barbican Art Centre, GSMD, and the LMA. We estimate the projects will deliver savings of c.1,5 ktCO₂e/yr and c.£875k/yr. These projects have been developed over the last few months by the Energy Team, with external grant funded consultancy support, and in consultation with Facilities Management. Further details on the specific projects are provided in Appendix 1.
3. We were initially informed the scheme was over-subscribed, however on 4th of Feb 2021 we were advised that funding could be awarded but only in the form of a Section 31 grant. On 19th February we were informed that our application (value: £9,445,944) had passed the technical assessment, in accordance with the *Grant Offer Letter* (Appendix 2) and *Memorandum of Understanding* (Appendix 3).
4. Following consultation with senior officers it was agreed that the City of London could accept the full section 31 grant funding for all the projects and sites applied for and the Grant Officer Letter was signed and issued to the Salix on 26th February.
5. All grant funding (£9.445m) must be received by CoL no later than 31st March 2021.
6. It is recommended that any revenue savings arising from this project should be credited to the Build Back Better Funds in either City's Cash or City Fund. This will allow members then allow Members to allocate these savings to fund particular projects or priorities.

Approving the project

7. In accordance with the grant conditions, the project must be approved by City of London and commence before 31st March 2021. Commencing the project can be demonstrated by having an agreed procurement plan and kick-off project board meeting.
8. We recommend the proposed 'PSDS Project' is formally approved, in accordance with the Project Proposal which is set out in Appendix 4.

Delivering project

9. This is an excellent opportunity to advance the aims of the Climate Action Strategy without increasing capital burden on the City's finances. It will, however, require wide senior sponsorship, delegated authority and additional resources to unlock this significant opportunity within challenging timeframes.
10. A condition of the funding award is to commit to completion by 30th September 2021 and as part of the application process we have set out a very ambitious project programme to meet this deadline, see Appendix B. Salix have informed us that where reasonable justification can be made, they are able to consider an extension. Any funding unspent by the agreed end date would need to be returned to BEIS and they would not be liable for any costs for works or

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services delivered after this date. This represents a significant financial risk for the City which will need to be carefully managed.

11. Given the scope of this project there is a high risk to achieving completion by 30th September 2021 through the standard project approval and procurement routes. This can be mitigated by:
 - a) a request to Salix for an extension, and;
 - b) curtailing spend commitments beyond the agreed completion date. 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. We will also seek to transfer the risk of any delay onto the contractor under the contract.
12. Even if an extension is approved by Salix there would remain a high risk of programme slippage beyond this date. To further mitigate this risk we propose:
 - a) a Gateway 2 Project Proposal for the PSDS Project is received under Delegated authority (see Appendix 4).
 - b) a new Project Board specifically to support the delivery of the PSDS project (see below); and
 - c) an expedient gateway approval process (see below).

Project Governance

13. We recommend 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.
14. The draft *Terms of Reference* for the Project Board are presented in Appendix 5. It is recommended that these are approved in principle, and that delegated authority is provided to the Chair of the PSDS Project Board to finalise them and report back.
15. The scope of the remit for the Project Board is limited to the PSDS Project. 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.
16. We recommend the Project Board first meets mid-March to both expediate the project mobilisation and to meet the grant condition requirement for the project to commence prior to 31st March 2021.
10. We recommend the PSDS Project Board meets 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.
11. There is the possibility of overlap with the City's wider Climate Action programme and therefore the PSDS Project Board will need to work closely with the wider Climate Action team to ensure there is no duplication and to ensure that the City achieves value for money.

Project approval process

17. We have developed a project programme (see Appendix 6) which shows that approval to start the tender process needs to begin in March-21 to meet a Sep-21 completion deadline, or latest by the end of Apr-21 to meet an extended Mar-22 deadline.
18. The PSDS Project represents a large programme of works, which although not technically complex, do cover multiple sites and due to the overall value would be classified as a 'Complex' project under the Project Procedure requiring approval of the Court of Common Council. Under the normal sequence of gateway approvals this would mean approval to go out to tender would not be granted until a Court of Common Council meeting in Jul-21. This would mean completion by Sep-21 is not possible, and even if an extension was granted completion by Mar-22 would still be at high risk.

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19. The Project Procedure states (paragraph 23) the following, and therefore the circumstances of this external grant funding may warrant a deviation from the normal project approval procedure.

“To allow projects to proceed at the appropriate speed and to ensure that the City Corporation is able to take advantage of circumstances as they arise, Standing Orders authorise the Town Clerk, in consultation with the Projects Sub- Committee, or the Chairman and Deputy Chairman thereof as appropriate, to vary the Gateway Approval Process in relation to individual projects in cases when it is deemed appropriate to do so (e.g. to take advantage of external funding sources).”

20. We have identified two options which could expedite the process:

- a. Not recommended: some or all further gateway papers to be taken under urgency where required.
- b. Recommended: delegated authority given to the City Surveyor to make decisions for all further gateway papers and issue reports, but only in consultation with the PSDS Project Board. All further gateway papers and issue reports to be issued to the relevant committees for information only.

21. Appendix 7 presents the relevant committee and board dates and the timelines for the normal project procedure, under urgency, and via delegated authority in consultation with the Project Board.

22. We recommend option b, but alternatives can be discussed on Member request. This could allow for approval to go out to tender be achieved in Mar-21. We believe under the circumstances; this option could provide effective scrutiny over the approval process while allowing decision making to take place at the pace required of these specific grant conditions. The PSDS Project Board meetings would provide a forum for a range of members, senior officers and key stakeholders to discuss any concerns and provide informed recommendations on which the City Surveyor can make decisions. We recommend the recorded minutes along with regular progress reports are produced by the PSDS Project Board and presented to the relevant committees on a timely basis, for information.

Conclusion

23. This is an excellent opportunity to advance the aims of the Climate Action Strategy without increasing capital burden on the City's finances. It will, however, require wide senior sponsorship and delegated authority to streamline the approval process to realise this significant opportunity within challenging timeframes.

Background papers:

- Appendix 1. PSDS Projects
- Appendix 2. Grant Offer Letter
- Appendix 3. Memorandum of Understanding
- Appendix 4. Gateway 2 Report: PSDS Project Proposal
- Appendix 5. PSDS Project Board ToR
- Appendix 6. High-level programme via Retrofit Accelerator framework procurement route
- Appendix 7. Gateway approval timeline

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