

<p>Committees: Resource Allocation Sub (Policy and Resources) Committee – for Decision. Projects and Procurement Sub Committee – for information.</p>	<p>Dates: 2 May 2024 10 June 2024</p>
<p>Subject: Climate Action Strategy (CAS) – Capital Delivery Programme for Operational Buildings: Mansion House – Planning Permission Application.</p> <p>Unique Project Identifier: 12442</p>	<p>Gateway 3 to 4: Options Appraisal and Authority to Start Work (Regular)</p>
<p>Report of: City Surveyor</p> <p>Report Author: Adam Fjaerem</p>	<p>For Information</p>
<p>PUBLIC</p>	

<p>1. Status update</p>	<p>Project Description: This Gateway 3-4 paper requests funding to pay for the planning permission application to install an Air Source Heat Pump (ASHP) and Photovoltaic (PV) array onto the roof of Mansion House.</p> <p>If this planning permission application is approved a separate GW3-5 paper will be submitted to request funding to install ASHP and PV onto the building. These two technologies will reduce the buildings gas consumption, generate electricity for use by the building and help to reduce its carbon emissions.</p> <p>The funding approval for the planning permission represents a significant investment but is required to proceed with the actual installation of the ASHP and PV. If planning permission is awarded the cost of the ASHP and PV array will be approximately £1.5M excluding costed risk but including £200k for upgrading the UK Power Networks (UKPN) substation in the basement needed to provide the extra electrical capacity of the ASHP.</p> <p>RAG Status: Green</p> <p>Risk Status: Medium</p> <p>Total Estimated Cost of Planning Permission (excluding costed risk): £50,000</p> <p>Total Estimated Cost of ASHP and PV installation following planning permission approval (excluding costed risk): £1.5M</p>
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	<p>Change in Total Estimated Cost of Project (excluding costed risk): £0</p> <p>Spend to Date: £4,366.41 on a pre-planning application</p> <p>Costed Risk Provision: £25,000 (requested as part of this paper of which £0 amount has been drawn down since the last report to Committee);</p> <p>Slippage: Note - the Gateway 2 paper sets out the whole programme, of which this is one project, with a completion date of March 2025.</p>
<p>2. Next steps and requested decisions</p>	<p>Next Gateway: Gateway 3,4,5: Funding request for ASHP and PV if planning permission is awarded. This project will be greater than £1M and so will be returned to committee rather than seeking approval via delegated authority.</p> <p>Next Gateway: Gateway 5: Closing project down if planning permission is declined.</p> <p>Next Steps:</p> <ul style="list-style-type: none"> • Establish Project Team, to be managed by City Surveyor’s Minor Works Projects Team. • Instruct works contract for Vital Energi to apply for planning permission. • Vital Energi to instruct their subcontractors to undertake modelling of building to provide data for the planning permission application. • Vital Energi to raise supply orders for their subcontractors. • Apply for planning permission. <p>Requested Decisions:</p> <ol style="list-style-type: none"> 1. That Option 2 is approved to apply for planning permission to install an ASHP and PV array onto the roof of Mansion House. 2. Note the total estimated cost of the planning permission at £50,000 (excluding costed risk); 3. Approve a budget of £50,000 for the fees to apply for planning permission, 4. Approve a Costed Risk Provision of £25,000 (as detailed in the risk register to be drawn down via delegation to Chief Officer in consultation with the Chamberlain. The use of these funds will remove future risk to the project or, should the cost to mitigate the risk be too great, the scope will be changed or project cancelled); 5. Enter into a new works agreement with Vital Energi to apply for planning permission as Principal Contractor and Principal Designer, in accordance with the terms of their existing contract with CoL to deliver services under the National Framework Agreement for Energy Performance Contracting;

- 6. Note that should planning permission be awarded the subsequent installation of the ASHP and the PV will be in the region of £1.5M.
- 7. Note that should planning permission be declined a decision could be made to appeal this at further costs or to close the project down.

3. Budget

The following sets out the budget for the recommended option 2.

Total estimated cost of the planning application, including costed risk: **£75,000** (including a costed risk budget of **£25,000**).

This will be funded by CAS Year 3 Plan.

The funding arrangement is presented in the Options Appraisal Matrix under option 2. The budget requested for option 2 to reach the next gateway is set out below.

Item	Reason	Funds/ Source of Funding	Cost (£)
Fees: Planning permission application and compliance	Compliance	CAS Year 3 Plan budget. (this paper, GW3-4 approved budget drawdown)	50,000
Cost risk provision budget	Compliance	CAS Year 3 Plan budget. (this paper, GW3-4 approved budget drawdown)	25,000
Total			75,000

Costed Risk Provision requested for this Gateway: £25,000 (as detailed in the Risk Register – Appendix 2) to cover any variations which may be required as part of the planning permission application or subsequent appeal depending upon the decision. Should the mitigations costs to make the required changes exceed the costed risk provision a decision will be made to change the scope of the application or cancel the project.

<p>4. Overview of project options</p>	<p>Option 1 (not recommended). Cancel the project. Do not proceed with the planning permission application to install an ASHP and PV array onto the roof of the Mansion House. This is not recommended as it will not support the City of London's goals for reducing carbon emissions at this building.</p> <p>Option 2 (recommended): Proceed with the planning permission application to install an ASHP and PV array.</p> <p>This option recommends that the planning permission is submitted by Vital Energi. It should be noted that if planning permission is awarded the subsequent installation of the ASHP and the PV will be in the region of £1.5M.</p> <p>Should planning permission be refused a second alternative location has been identified that still involves an ASHP on the roof but in a space that is currently used by an existing chiller. This option may be explored further if the planning permission application is declined but this option will be more expensive as the ASHP will have to be sized to provide the existing cooling capacity as well as heat.</p>
<p>5. Recommended option</p>	<p>Option 2, to proceed with this planning permission application.</p> <p>If planning permission for the ASHP and the PV array is awarded this will remove an obstacle from the delivery of this project and will allow for a detailed design of the scheme with this risk removed (keeping within the confines of the planning permission).</p>
<p>6. Risk</p>	<p>Planning Permission Cost: The cost of the planning permission application is significant as the Mansion House is a Grade I listed building, is surrounded by other listed buildings and has taller buildings behind it which have uninterrupted views of the building from above.</p> <p>Vital are proposing to work with the sub-contractor Turley to produce a VuCity (https://www.vu.city) model of the building that will show the visual impact of the proposed installation from all lines of sight.</p> <p>This model will be used to allow all stakeholders (heritage officers, Historic England, surrounding buildings, individuals etc) to better understand how the proposed plant would look on the building and in turn how this would look with the surrounding buildings.</p> <p>If the planning permission is refused an alternative location could be reviewed and a new application submitted or the original decision could be appealed. However, this will likely involve more money to appeal with the outcome not definite.</p> <p>Cost to install: If planning permission is awarded the cost of the ASHP and PV array is approximately £1.5M excluding costed risk but including £200k for upgrading the UK Power Networks (UKPN)</p>

	<p>substation in the basement which would be needed to provide the extra electrical capacity of the ASHP. This funding request will be covered in a later GW3-5 paper to Resource Allocation Sub (Policy and Resources) Committee as its value will exceed that of delegated authority levels.</p> <p>The ASHP will result in total annual energy cost savings of £24.6k and will have a simple payback of 74 years. However, realistically the plant will be at end-of-life before this point and so will have had to be replaced before this.</p> <p>The two-year old gas boilers will be retained as the proposed solution is for a bivalent system with the gas boilers being required to ‘top up’ the heating supply during the colder months of the year. The ASHP should work independently during the ‘shoulder’ months of the heating season and provide domestic hot water (DHW) throughout the year.</p> <p>Reputational Risk lies with the publicity potentially associated with this planning permission application from local, national and building/architectural/heritage media. There could be negative impact against the City of London Corporation planning department if the planning permission is refused, or against the City of London Corporations commitment to achieving its climate goals if planning is awarded, but then not proceeded to installation, due to the costs outlined above.</p> <p>Health and safety: the planning permission application will be mainly desk based with some site visits and as such there are negligible risks from electrical, hot works and other related works within the building. Further information available in the Risk Register (Appendix 2) and options appraisal matrix.</p> <p>Costed Risk Provision requested for this Gateway: £25,000 (as detailed in the Risk Register – Appendix 2) to cover any variations which may be required following planning permission submission to cover any further design, additional project management costs or required remedial works.</p>
<p>7. Procurement approach</p>	<p>City of London have an existing Call-off-Contract with Vital Energi under GLA’s Re:fit framework, for which Vital Energi (the Service Provider) will provide a range of services including High Level Assessments, Investment Grade Proposals and Works Contracts to carry out Energy Efficiency Measures under an Energy Performance Guarantee.</p> <p>Vital Energi have undertaken surveys of Mansion House and issued CoL with an Investment Grade Proposal (IGP) in accordance with their contract. The IGP sets out the firm costs, guaranteed savings and Measurement and Verification (M&V) plan for the works.</p>

	The planning permission application falls under this call off contract and should this GW3-4 funding request be approved then Vital Energi will undertake all the requirements of the planning permission application through to decision.
8. Design summary	All the requirements of the planning permission shall be undertaken by Vital Energi as part of their works agreement and submitted to following CoL approval.
9. Delivery team	The project will be led by the Minor Projects Team, City Surveyor's. Project management consultancy support will be procured as a one-off purchase, in accordance with normal procurement rules.
10. Success criteria	<ol style="list-style-type: none"> 1. Planning permission awarded by August 2024 2. Planning permission awarded within budget and without requiring an appeal. 3. Installation of ASHP and PV array as per planning permission approval.
11. Progress reporting	Project Vision progress reports with any required decisions coming back as an Issue Report.

Appendices

Appendix 1	Project Coversheet
Appendix 2	Risk Register

Background documents

Background Paper. GW2 CAS Capital Delivery Programme_Final
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Contact

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Options Appraisal Matrix: The Mansion House

Option Summary	Option 1	Option 2
1. Brief description of option	Option 1. Cancel the project. Do not proceed with applying for planning permission.	Option 2. Proceed with the planning permission application. To apply for planning permission to install an Air Source Heat Pump (ASHP) and Photovoltaic (PV) array onto the roof of the Grade I listed Mansion House.
2. Scope and exclusions	N/A	To apply for planning permission to install an Air Source Heat Pump (ASHP) and Photovoltaic (PV) array onto the roof of the Grade I listed Mansion House.
<i>Project Planning</i>		
3. Programme and key dates	N/A	<p>Mar 24: GW3-4 approval.</p> <p>Mar 24: Instruct works agreement with Vital Energi.</p> <p>Mar 24: Contractor mobilisation, supply orders raised.</p> <p>April 24: Commence collation of required evidence for planning permission application.</p> <p>June 24: Submit planning permission application.</p> <p>Aug 24: Receive decision.</p> <p>Aug 24: Develop and submit GW3-5 paper for funding request to install ASHP and PV array if planning permission is awarded.</p> <p>Close project down in planning permission is declined.</p>

Option Summary	Option 1	Option 2											
4. Risk implications	Low	<p>Further information available within the Risk Register (Appendix 2).</p> <p>Service interruption. The planning permission application will have no risk of creating a service interruption to the operation of the building however it will come with risk implications with regards to costs and City of London Corporation reputation.</p>											
5. Stakeholders and consultees	N/A	<table border="1"> <tbody> <tr> <td data-bbox="1032 539 1346 746"> 1. Corporate Property </td> <td data-bbox="1346 539 2083 746"> Peter Collinson, Mark Kober, Paul Friend, Peter Young, Robert Murphy, Matt Baker, Jonathan Cooper, Darren Horrigan, Grayham Howarth, Ian Hughes, Peter Ochser, Andrew Coke, Samantha Williams, Graeme Low, Mark Donaldson, Edmund Tran. </td> </tr> <tr> <td data-bbox="1032 746 1346 783"> 2. IT </td> <td data-bbox="1346 746 2083 783"> N/A </td> </tr> <tr> <td data-bbox="1032 783 1346 820"> 3. Chamberlains </td> <td data-bbox="1346 783 2083 820"> John James, Andrew Little, Sarah Baker </td> </tr> <tr> <td data-bbox="1032 820 1346 857"> 4. Procurement </td> <td data-bbox="1346 820 2083 857"> Jemma Borland </td> </tr> <tr> <td data-bbox="1032 857 1346 893"> 5. Site users/clients </td> <td data-bbox="1346 857 2083 893"> Caroline Jack, David Lamb, Nina Tsindides. </td> </tr> </tbody> </table>		1. Corporate Property	Peter Collinson, Mark Kober, Paul Friend, Peter Young, Robert Murphy, Matt Baker, Jonathan Cooper, Darren Horrigan, Grayham Howarth, Ian Hughes, Peter Ochser, Andrew Coke, Samantha Williams, Graeme Low, Mark Donaldson, Edmund Tran.	2. IT	N/A	3. Chamberlains	John James, Andrew Little, Sarah Baker	4. Procurement	Jemma Borland	5. Site users/clients	Caroline Jack, David Lamb, Nina Tsindides.
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2. IT	N/A												
3. Chamberlains	John James, Andrew Little, Sarah Baker												
4. Procurement	Jemma Borland												
5. Site users/clients	Caroline Jack, David Lamb, Nina Tsindides.												
6. Benefits of option	No funding required.	<p>Being awarded planning permission would allow for the installation of an ASHP and a PV array which would combine to make a significant decrease in the carbon emissions of this building towards the City of London Corporations targets.</p>											
7. Disbenefits of option	Higher ongoing energy and maintenance costs	<p>Planning permission costs.</p> <p>Capital costs should the application be approved.</p> <p>Reputational risk.</p> <p>Staff management and resource implications.</p>											

Option Summary	Option 1	Option 2
<i>Resource Implications</i>		
8. Total estimated cost	N/A	Total estimated cost (excluding costed risk): £50,000 Relatively confident in the cost at this stage. Total estimated cost: (including costed risk): £75,000
9. Funding strategy	N/A	The total estimated cost (including costed risk) shall be met from the CAS Year 3 Plan .
10. Investment appraisal	N/A	There is no payback for the investment in applying for planning permission.
11. Estimated capital value/return	N/A	There is no capital return for this planning permission application.
12. Ongoing revenue implications	N/A	Should planning permission be awarded there will be significant costs involved to install the ASHP and the PV array.
13. Affordability	N/A	The cost for this option can be accommodated within funding allocations already approved in principle, as set out in item 9 above.
14. Legal implications	N/A	None.

Option Summary	Option 1	Option 2
15. Corporate property implications	Does not align with the Corporate Property Asset Management Strategy 2020-2025	<ul style="list-style-type: none"> This project that would be possible if planning permission is awarded aligns with the Corporate Property Asset Management Strategy 2020-2025 in reducing energy costs and carbon emissions.
16. Traffic implications	N/A	Planning permission contractors will be expected to attend site using public transport.
17. Sustainability and energy implications	Cancelling the project would be a missed opportunity to reduce carbon emissions for this site and does not support the City of London's net zero carbon targets.	This project supports the City of London's net zero carbon targets as set out in the Climate Action Strategy.
18. IT implications	N/A	None
19. Equality Impact Assessment	N/A	None.
20. Data Protection Impact Assessment	N/A	N/A
21. Recommendation	Not recommended	Recommended