

Report – Policy and Resources Committee

Climate Action Strategy

To be presented on Thursday, 8th October 2020

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

We hereby present a scoped and costed Climate Action Strategy for the City of London Corporation. The report has been considered by multiple committees over the last six weeks, culminating in your Policy & Resources Committee approving the recommendations on 24 September 2020. The paper is now submitted for your consideration. It presents:

- i. Appendix 1: The proposed Climate Action Strategy; and
- ii. Appendix 2: Action sets by committee.

The proposed strategy has three interlinked primary objectives for the City Corporation and the Square Mile: to support the achievement of net-zero emissions, to build resilience, and to champion sustainable growth.

Climate Action is an extension of the Corporation's work to advance London and the UK as a centre of excellence in green finance. Championing sustainable growth is therefore already core to the City Corporation's work. It is also an integral part of our Responsible Business Strategy (2018-23).

This paper therefore focuses on the other two primary objectives:

- Net-zero: mitigating the impact of climate change by achieving net-zero emissions for the City Corporation and the Square Mile; and
- Resilience: ensuring our buildings and public realm are resilient to the more extreme weather conditions and rising sea levels that are going to occur.

Founded on science-based targets, rather than simply a call to action, the proposed strategy sets out both a vision and goals for the next two decades. By approving the recommendations in this report, the City Corporation would be committing to:

1. Achieve net-zero emissions by the end of:
 - 2027 for the City Corporation's operations
 - 2040 in the City Corporation's full value chain

2. Achieve net-zero emissions in the Square Mile's operations, excluding other indirect emissions (e.g. investment activity)
3. Further reduce climate-related risks by strengthening the climate resilience of the Square Mile and the City Corporation's assets to extreme weather conditions and rising sea levels.

To do this, the City Corporation will:-

- Cut the emissions associated with its direct activities. It will also tackle indirect emissions that are associated with purchased goods and services, investments and other parts of the organisation's value chain.
- Optimise the role of our open spaces and the public realm in removing carbon and as places for people and nature to thrive.
- Work with its partners across the Square Mile to build on efforts to increase climate resilience and reduce risks posed by climate change; and
- Maximise how net-zero and resilience mutually reinforce each other, especially with respect to buildings.

The Climate Action Strategy introduces a new, permanent way of working for the City Corporation, where all decision-making integrates considerations of the risks and opportunities associated with climate change. It reinforces existing City Corporation strategies and will be pivotal to achieving the outcomes at the heart of the Corporate Plan (2018-23). As much as the overarching strategy addresses the next 20 years, the baselines, action plan, and targets will be reviewed and refreshed every five years to drive transparent performance tracking and accountability. Learning regarding which actions and interventions are most efficiently driving impact will be incorporated on a more frequent basis.

Through this strategy, the City Corporation will secure and strengthen its market position globally as a financial centre. Locally, it will ensure the competitiveness of its buildings, investment properties and public spaces as attractive places to work, live, study and visit, both now and in the future.

Though focused on tackling climate change, the strategy's impact will be wider; it will support the economy; it will enhance the physical environment and open spaces; and it will benefit individuals through improving air quality and creating jobs.

Setting out our net-zero and resilience goals also allow the organisation to take its place on the global stage. The City Corporation will champion sustainable growth in all its global engagement but particularly at the Green Horizon Summit, which it is hosting in November, and COP26, the United Nations' annual climate meeting, next year.

RECOMMENDATIONS

That approval be given to: -

1. the draft strategy at **Appendix 1** and the actions set by committee at **Appendix 2**; and
2. the allocation of additional budget required to deliver the strategy, as recommended by the Resource Allocation Sub-Committee (RASC) and the funding route as referred to in paragraphs 6-10 of this report.

MAIN REPORT

Background

1. In June 2020, the Policy & Resources Committee agreed that a Climate Action Strategy should be presented to it for approval in September, and to the Court of Common Council in October. Building on a series of studies which were reported in June and July, intensive work took place over the summer to develop the strategy, that is impactful, affordable, and deliverable.
2. The City Corporation's approach to developing this strategy has been set out in previous public papers and is summarised in the strategy at **Appendix 1**.

Current position

3. The baseline position, describing current and projected resilience risks, emissions sources, and carbon removal capacity for the City Corporation and the Square Mile, was shared with Members at a briefing in May and is also summarised in the strategy at **Appendix 1**.
4. With enormous financial pressures, affordability is critical. Initial indications pointed to additional spending of £100m-£120m for the remaining four years of the Medium-Term Financial Plan (MTFP). Over the summer, officers across the City Corporation have worked at pace to strengthen the financial modelling, strip out costs and both reprioritise and align with existing programmes. Members have also looked at how to achieve the outcomes while managing cost and risk. As a result, the additional envelope for the MTFP amounts to a total investment of £68m, of which £9m is revenue and £59m is capital spend. This amounts to an average yearly spend of £1.5m of revenue and just under £10m of capital spend.
5. There is also a major financial upside as these capital investments will bring major reductions in energy costs. In the case of the owned/operated properties, this will drive down future revenue requirements, as less money is spent on energy. This has the potential to save £3.5m per annum in future revenue costs. Equally, on the investment property estate, the reduction in energy costs amounts to £2m per annum. This offers an opportunity to enhance yields though this has not been included in our required contributions for funding the strategy.

Options

6. Funding options were considered by the Resource Allocation Sub Committee in July and September 2020. It recommended that:-
 - i. £68m be allocated over the next six years, consisting of £59m of capital and £9m of revenue, to deliver of the Climate Action Strategy;
 - ii. Climate Action be prioritised above other future bids for funding within a number of funding sources, such as the On-street Parking Reserve; Community Infrastructure Levy; the “Build Back Better Fund (once established) and the Carbon Offset Fund to assist relevant aims and objectives; Capital works on the investment portfolios for City’s Cash and Bridge House Estates will be funded from the Designated Sales Pools.
 - iii. The actions be phased to 2027 so that a revolving financing facility can be created by the savings from future energy costs and used to partially fund the later stages of the Climate Action programme.
 - iv. Climate Action considerations and assessment be integrated into all decision-making at the City Corporation and deemed as a priority where relevant, on par with a corporate risk or health and safety consideration; and
 - v. Any revenue needed to assist with the project is ringfenced and released only under certain controls as agreed in the strategy’s implementation plan, and with the agreement of a outcomes-based capability plan.
7. Whilst cash flow for the implementation of a phased action plan has been examined, the gaps identified are, as expected, in the early years of the programme and centre on revenue investment for enabling actions and on capital investment in certain properties. These gaps can largely be met by £9m of cash flow financing from the programme’s projected energy savings.
8. Notwithstanding the above this still leaves a small gap of just under £2m in total or just under £0.4m per year. This will be recovered by value engineering the Climate Action spend and also by identifying external funding sources.
9. The Climate cash flow will be integrated into the MTFP through the normal processes.
10. Further funding options beyond the above arrangements are subject to further examination. None of the arrangements preclude further investment in Climate by a department or committee using local risk.

Proposals

11. Proposed actions for the first six years of the strategy are set out at **Appendix 2**. These have been shared with relevant committees in advance of this meeting of the Court; namely, Property Investment Board, Corporate Asset-Sub Committee, Resource Allocation-Sub Committee, Planning & Transportation Committee, Procurement Sub-Committee, Project Sub-Committee, Port Health & Environmental Services Committee, Financial Investment Board, and Policy and

Resources Committee. In addition, the Chairman and Deputy Chairman of the Open Spaces Committee have been consulted.

Public and stakeholder engagement

12. The engagement plan approved by the Committee in June 2020 has three phases. Phase 1 – April to June 2020 – involved workshops with expert officers and external technical experts, written submissions from stakeholder groups, and a survey of businesses about their climate action plans.
13. Phase 2 – mid-July to the end of August 2020 – broadened out the opportunity to share views to the wider public by means of an online survey on a dedicated web portal. Its purpose was to check levels of importance and the feasibility of potential options with our stakeholders and to gather contact details and followers in preparation for phase 3. Over 2,600 people responded to the survey. 16% were residents, 44% were workers, 20% were visitors, 4% were students and 8% work at the City Corporation. Due to the timing and disruption at educational facilities, under-25s representation was low. 6% used the Bengali translated site. 76% said climate change should be extremely important to the City Corporation. Further details are available upon request.
14. Phase 3 will commence with the launch of the strategy following approval by the Court of Common Council and continue for the duration of the strategy. Its purpose is to support implementation and local action. As each specific project is initiated, officers will reach out to those with an interest, or likely to be impacted, to let them know what is planned and seek more specific views. This may be in the form of formal consultation, depending on the project. In this way people's views and ideas will be taken into account at the outset and used to help find solutions that suit their needs, as well as deliver on our net-zero and resilience commitments.

Next steps and governance

15. If the Court of Common Council approve and endorse this strategy, the cross-departmental officer team will complete detailed action plans and key performance indicators for the first period of the strategy, taking the project up to 31 March 2027. The first step is to ensure the financials and actions are embedded in departmental budgets and Business Plans. As officers move to the new operating model, budgets and Business Plans will be reallocated as needed to ensure delivery.
16. Implementation will commence in April 2021 by which point it is expected that any new Member governance structures will be in place. As a corporate priority, oversight will remain ultimately with the Policy & Resources Committee, with regular monitoring of progress, annual reviews of impact, and refreshing of plans to reflect learning and improvements in the approaches to both net-zero and resilience. In the meantime, the Members who have been providing oversight and engaging with relevant committee chairs, will continue to do so.
17. The approach to developing this strategy has set the bar in terms of joined up working between Members and officers from across the City Corporation, the integration of commercial and sustainability considerations, and the rigour of the

funding proposal. Its implementation will require a new approach to capability development and delivery assurance. In the coming months, it will offer opportunities to work more effectively across the City Corporation and improve how we drive collective performance. Mechanisms will also be put in place to ensure that funding will only be released as and when sufficient controls – clear targets, transparency on outcomes, and accountability – are demonstrably in place. All funding is subject to the usual business planning and capital allocation processes and as well as annual confirmation.

Corporate & Strategic Implications

18. Strategic Implications – This strategy complies with the latest climate science necessary to meet the goals of the Paris Climate Agreement (2015) and is complementary to London-wide and national efforts to reduce emissions and improve resilience of our communities and urban spaces. This includes the draft London Plan, the Greater London Authority's London City Resilience Strategy 2020, the UK Committee on Climate Change Climate Risk Assessment 2017 and National Adaptation Programme, as well as the landscape of policies set out by government.
19. It is integral to achieving economic, societal and environmental outcomes in the Corporate Plan, 2018-23. As stated above, it builds upon existing strategies and policies, including: The Responsible Business Strategy 2018-23, the Responsible Investment Policy, the City Procurement Strategy 2020-24, the Local Plan 2015, the draft City Plan 2036, the Transport Strategy 2018-43, the Air Quality Strategy 2015-20, the Climate Mitigation Strategy, the Carbon Descent Plan, the Transition to a Zero Emission Fleet Policy, the Renewable Electricity Policy & Sourcing Strategy and related campaigns, such as Plastic Free City. It is aligned to ongoing reviews of our financial and property investment portfolios and is influencing the development of the Bridge House Estates Strategy 2020-45 which is proceeding in parallel through governance.
20. Financial Implications – The additional envelope amounts to an annual cost of £10m capital and £1.5m revenue. Project spend on Climate Action will be brought to Members in the usual way, with return on investment clearly modelled where relevant.
21. Resource Implications – Implementing the strategy will require changes in capability, capacity and culture. This will include expertise and skills sets in some areas that the City Corporation does not currently have. It will be critical to the deliverability of the strategy that there is not only the funding for the capital works, but the capability to manage these projects successfully. Resource and capability requirements are being built into the new operating model. Any additional resources are included in the funding calculations or will be absorbed into existing budgets. Similarly, Member training will be made available, as requested, to help them fulfil their duties in overseeing delivery of the strategy.
22. Risk Implications – This strategy is primarily focused on addressing risks to the competitiveness and physical environment of the Square Mile. These relate to unavoidable climatic events impacting critical infrastructure and natural resources, financial risk from decreased value of assets or opportunity loss and

reputational risks from both operational failure and failing to adapt to UK and global decarbonisation commitments. Residual risks relate to successful implementation. These will be explored by means of a 'deep dive' discussion at Audit & Risk Management Committee on 1 October 2020, to provide additional assurance to the Court.

23. Legal Implications – There are no legal implications at this stage as recommendations are compliant with legislation, including the City Corporation's obligations under the UK Climate Change Act (revised 2019), which has enshrined in law both a target of net-zero emissions by 2050 and requirements for measures for climate adaptation (improved resilience).
24. Equalities Implications – A Test of Relevance was undertaken on the options put forward for consideration to Resource Allocation Sub Committee in June 2020. The purpose was to identify any potential detrimental impact on the nine protected groups defined in the Equality Act 2010. It showed that people in at least one of the following five protected groups - age, disability, race, pregnancy/maternity and gender - would be likely to benefit from actions set out in this strategy. This is due to the emphasis on improvements in air quality, the public realm and indoor comfort, and on potential reductions in fuel poverty. The widening of pavements would be expected to lead to an enhanced feeling of safety for all. No negative impacts were identified. Equalities analysis will be carried out throughout implementation so that any negative impacts can be mitigated and opportunities for positive impacts exploited.
25. The public survey included standard demographic questions to enable equality analysis and to provide insights into the priorities and preferences of different groups. This will be used to tailor communications and engagement activities so that they are accessible, sensitive and effective.
26. Security Implications – There are no security implications arising from the recommendations in this report.
27. Climate Implications – This section will be added to all committee papers seeking decisions going forward so that climate related risks and opportunities are considered within all decisions.

Conclusion

28. The Climate Action Strategy offers the City Corporation a unique opportunity to act decisively in responding to climate change – a key challenge of our time – while managing costs. The strategy has the potential to be a defining cross-Corporation policy. Founded on science-based targets, rather than simply a call to action, it will ensure that the City Corporation has a credible approach to climate action that is impactful, affordable and deliverable. This will allow us to protect our physical and financial assets for decades to come. It also positions the City to seize the opportunities presented by the transition to a net-zero future.

Appendices

- Appendix 1: The Proposed Climate Action Strategy (2020)
- Appendix 2: Detailed profile of each action area for net zero and climate resilience

All of which we submit to the judgement of this Honourable Court.

DATED this 24th day of September 2020.

SIGNED on behalf of the Committee.

Deputy Catherine McGuinness
Chair, Policy and Resources Committee