

Committee	Date
Policy and Resources Committee	5 th May 2022
Subject: Year 1 Quarter 4 Update on Climate Action	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1,5,7,10,11,12
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	<i>Original budget envelope for CAS approved by Court upon adoption. Y1 portion approved under CAS by Policy and Resources on 8 April 2021 & by BHE Board on 14th July 2021.</i>
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: Damian Nussbaum, Executive Director Innovation and Growth and Senior Responsible Officer, Climate Action	Decision
Report authors: Simi Shah, Project Director, Climate Action Grace Rawnsley, Programme Director, Climate Action Stuart Wright, Climate Action Programme Manager Karin Ballasch, Climate Action Stakeholder Engagement Lead	

Summary

In October 2020, the Court of Common Council approved an ambitious Climate Action Strategy, a transformative programme for the organisation to reach net-zero carbon emissions, build resilience and champion sustainable growth. This paper reports the results of the planned quarter 4 review of the inaugural year. It includes a description of progress made as well as potential risks for the programme. It also summarises the plans for the upcoming year and requests confirmation on the funds needed for implementation.

Recommendation

The Policy & Resources Committee is recommended to:

- i. Note the progress, risks and issues arising between January to March 2022 of year 1 of implementing the Climate Action strategy.
- ii. Note the overall achievement of the targets remains on track with no additional resources required beyond the original budget envelope.

- iii. Approve the draw of funds of up to £17.94m for implementation of the strategy in 22-23 financial year as set out in Table 2 from that original envelope. This represents portions for City Fund (£13.26m) and City's Cash (£4.14m).

Main Report

Background

1. In November 2019 the City of London Corporation set out on a fast-paced, cross-corporation journey to develop an ambitious Climate Action Strategy (CAS). The strategy was adopted at Court of Common Council on the 8th October 2020.
2. The CAS marked the start of a new and transformative programme of action. It sets out 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.
3. The Court approved an original funding envelope of £68m to deliver the strategy up to 2027. Each year's budget was to be subject to confirmation. It was agreed upon adoption that each relevant Service Committee and Policy and Resources receive a quarterly update on progress and relevant expenditure.
4. The Year 1 (Y1) programme of work and associated budget was approved by this committee on 8th April 2021 for the City Fund and City's Cash. Expenditure related to BHE was approved by the BHE Board on 14th July 2021. Across the funds, a total Y1 budget for both projects and revenue of £10.53m was approved as the first allocation required under the original budget envelope.
5. The annual programme of work is based on detailed plans for 13 workstreams across 6 different departments; each of which reports into a relevant Service Committee. These detailed plans are approved by Project Boards at the operational level and relevant Service Committees at the Member level. These are reported into Policy and Resources as a summary programme as shown in Appendix 2. Policy and Resources also approves annual budget draws against the original envelope for City's Cash and City Fund. BHE funds are approved by the BHE Board.
6. For the initial years, City's Cash and City Fund draws are from central reserves. In later years the annual budgets will be part funded by savings to the energy bill. A revolving mechanism to capture financial savings from the corporate energy bill has been developed. It will capture the savings from the capital interventions under CAS when they come online from 2022-23. A profile of savings will be regularly reported to this Resource Allocation Sub-Committee (RASC) and the Corporate Asset Sub Committee (CASC).

7. In July 2021, this committee approved delegated authority powers in relation to project delivery for the Senior Responsible Officer of CAS. This authority continues to bring desired momentum to mobilising the programme in its inaugural year.

Current Position

8. We are on target to achieve our overall ambitions of being:
 - Net Zero in our own operations by 2027
 - Net Zero in our value chain by 2040
 - Net Zero in the Square Mile by 2040
 - Climate resilient in our buildings, public spaces and infrastructure
9. We are also on target to achieve the interim targets adopted by this Committee against those goals across the life span of the 2027 and 2040 net zero dates.
10. The current Senior Responsible Officer (SRO) is Damian Nussbaum, who was appointed at the start of 2022 on an interim basis by the Town Clerk pending the appointment of a permanent Deputy Town Clerk. Damian Nussbaum had previously been responsible for establishing a team and leading it to set up and launch the Strategy (November 2019 to September 2021).

Progress against targets

11. In order to measure and report progress against our targets transparently, a Climate Action Dashboard is in final stages of development and will be live internally later this quarter. The dashboard will allow tracking to take place across an initial 25 management KPIs as well as the main reporting KPI of our footprint as expressed in tonnes of CO₂e (Carbon Dioxide Equivalent). Our teams have identified and are evaluating an additional 25 management KPIs to augment this set to further improve ours and our stakeholder's ability to evaluate overall progress to CAS targets and commitments. From July 2022, this dashboard will be used as the basis for progress reporting to Committees. The dashboard will be available publicly from September 2022. It is due for its public release alongside the annual report the same month.
12. The key reporting KPI of tonnes of CO₂e in the overall carbon footprint is scheduled to be next reassessed in April 2022. Until then the baseline taken in 2018-19 is used.

Progress against delivery plans

13. The following chart summarises the delivery status of the 13 workstreams delivering Climate Action against the original Y1 plans:

Workstream	Status (Q3)	Status (Q4)
Strategic Implementation Support	Amber	Amber
Buildings - Corporate Properties and Housing	Amber	Amber
Buildings - Investment Properties	Amber	Amber
Buildings - Capital Projects (Standards) + Resilience	Red	Red
Purchased Goods and Services	Amber	Amber
Square Mile	Red	Amber
Cool Streets and Greening	Green	Green
Mainstreaming Resilience	Green	Green
Heart of the City and SME Engagement	Green	Green
Financial Investments	Green	Green
Carbon Removals and Land Management	Amber	Amber
Transport	Green	Amber

14. Green rated workstreams are all on track in terms of actions originally planned for Y1.
15. Those marked amber are those where there are one or more actions which will happen later in the programme than anticipated.
16. Those marked red have actions that were meant to be initiated in Y1 and have not yet started.
17. While some delay is inevitable in the inaugural year of a new programme, these movements are being closely monitored between Member and officer governance. Workstreams that are marked as Amber or Red receive heightened monitoring at the operational level. Service areas are being supported to increase momentum with special emphasis on actions relating to 2027 targets.
18. At the present position, none of the delays are anticipated to compromise the 2027 or 2040 targets.
19. There are number of items that were noted as delayed in the previous quarterly reports. Updates to these items are as follows:
- Resourcing delays: during the writing of the Q3 report recruitment was still underway for the workstreams focused on:
 - Purchased Goods and Services,
 - Buildings, and
 - Carbon Removals workstreams.
- Recruitment has now been completed for all except the Carbon Removals Workstreams where project consultancy is now being explored.

- The previous quarter's report also noted that the study to quantify additional carbon removal capacity in our Open Spaces was delayed. These findings will now be available in June 2022.

20. The programme also is experiencing a number of delays in the production of analytical work needed to underpin the success of the strategy. These are summarised in the table below. Additional Member and operational oversight will be needed to accelerate action along the new schedules.

Project	Workstream	Original Start Date	Delayed Start date	Original Completion Date	Delayed Completion Date
Corporate Properties and Housing	Building Energy Surveys in Top 15 Sites	07/2021	04/2022	03/2022	06/2022
Corporate Properties and Housing	Design of a Deep Fabric Retrofit Pilot	07/2021	04/2022	03/2022	12/2022
Buildings – Investment Properties	IPG Surveys: MEES risk and boundary assessment level	09/2021	04/2022	03/2022	09/2022
Buildings – Investment Properties	Energy metering strategy	09/2021	04/2022	03/2022	09/2022
Square Mile	Scoping and Launch of a Climate Action Fund	06/2021	06/2021	06/2022	12/2022
Square Mile	Scoping Local Energy Plan	06/2021	06/2021	03/2022	08/2022
Square Mile	Draft Planning Advice Note	09/2021	03/2022	12/2021	06/2022
Square Mile	Supplementary Planning Guidance	06/2021	06/2021	09/2021	01/2023
Open Spaces	Amalgamated Carbon sequestration study	11/2021	11/2021	02/2022	06/2022
Buildings – Capital Projects (Standards) and Resilience	New technology and design standards for new and refurbished developments	12/2021	03/2022	06/2022	09/2022

Change Control

21. No changes in timing, scope, or budget are required for Member decision at this time.

Achievements

22. While this quarter has been balanced towards mobilisation activities, the programme has made swift progress in readiness for an action filled second year. A set of highlights follow below.

23. Advancing interventions in the corporate housing and investment properties continues to be the biggest focus. Ability to accelerate actions under these workstreams remain our biggest risk and biggest opportunity.
- 13 of the top 15 emitting buildings across our corporate and housing estates have been surveyed to inform the operational and capital interventions across our corporate buildings. The remainder will be completed by June 2022 to be drawn up into delivery plans for 22-23 and beyond.
 - 62 of 143 investment properties have also been surveyed. The remainder will be completed by September 2022 to inform asset plans for each Fund.
 - It will be essential to secure co-investment into our housing stock. A bid for £800k from the Social Housing Decarbonisation Fund (SHDF) at William Blake and Southwark Estates has been secured. This will provide new lighting, increased insulation, additional glazing and heating controls for 66 properties currently rated EPC D or below. Work is underway to apply for the second wave of SHDF funding.
24. We continue to work with a diverse set of stakeholders to learn, influence and act. A sample of engagements this quarter include:
- A combined approach to Net Zero is being developed with Surrey Council Cambridge Council and Brighton Council.
 - The first induction session for COLC new Members was an introduction to the Climate Action Strategy and its implementation programme.
 - 69 SMEs have been engaged by our delivery partner Heart of the City (HOTC) through workshops and surgeries, such as the “Climate for SMEs: 4 steps to action” at the Financial Services Group of Livery Companies.
 - Catherine McGuiness, Chair of P&R Committee met with the City Deanery Churches Synod to share City Corporation work on climate action and green finance and identify areas of future work on climate agenda with City Churches.
 - Relevant planning application guidance to work towards net zero and climate resilient buildings has been tested and refined through pre-application processes for major development in collaboration with developers and other stakeholders throughout 2021. This will form the basis of and contribute to evidence required for developing the Square Mile’s Supplementary Planning Guidance.
25. We are investing in the public realm and Open Spaces. And are working with others to protect and prepare them for the future.
- A feasibility study to consolidate freight in the Square Mile is now in consultation with stakeholders including neighbouring boroughs.
 - Planning permission has been submitted for adding new ponds at Patmore’s Field in Epping Forest. A video of new flower meadow on the same site is available on YouTube.

- The City Corporation's Riverside Strategy was presented at the Thames Tidal Council and the Port of London Authority Environment Conference.
- New Riverside Planting has been designed and will be in place for the upcoming Jubilee.
- Phase 1 statutory consultation on experimental traffic orders for the Pedestrian Priority programme have commenced and will run until July 2022.
- Work has begun this quarter to scope a Climate Action Fund, a Local Energy Plan and a potential expansion to Power Purchase Agreement (PPA) arrangements.

26. Engaging with stakeholders continues to be at the heart of the programme as many of the above examples illustrate. In May 2022 the CAS Stakeholder Annual Survey will be launched. The survey, targets CoLC staff, members and Square Mile's residents, workers, students, visitors, businesses, and others. The purpose is to assess knowledge and understanding of how climate change is being addressed by the Corporation and within the Square Mile.

Financial Update

27. The table below summarises the financial position of the revenue and capital elements of the programme at the end of Y1. The differences between the budget envelope requested and amount drawn are due to several reasons. For revenue these are: 1) operational efficiencies 2) unrealised or delayed actions during mobilisation which will now take place in Year 2 and 3) genuine learning on what's needed or impactful during the inaugural year. For capital, this is largely due to using Public Sector Decarbonisation Scheme (PSDS) to pick up the existing pipeline of projects. The use of public funds means corporate funds can be used to go faster on our targets. But the survey schedule to identify the next round of interventions has pushed the corporate spend into the next financial year.

Table 1								
YEAR 1	Original Budget (£k)				Actual Spent (£k)			
Fund	BHE	CC	CF	Total	BHE	CC	CF	Total
Capital	239	1140	4047	5425	-	2	201	202
Revenue	262	1105	2079	3437	110	407	1152	1670
Supplemental Revenue	153	586	932	1670	-	83	175	259
Grand Total	643	2831	7058	10532	110	493	1528	2131

28. The table below summarises the proposed maximum level of draw against the original budget envelope during 22-23. The totals are set at an ambitious position which is reflective of three things:

- A planned pivot from mobilisation activities in Y1 to capital interventions in Y2
- The planned capital spend for buildings displaced by the PSDS in Y1 can be deployed to go faster and farther in Y2 as the programme is intervention is revealed through buildings survey work.
- This is the view of an accelerated programme fuelled by a desire to get ahead of energy prices and our interim targets. Delivery teams will be supported to meet this goal, but it should be viewed as a best-case scenario. It will be subject to external factors and market forces such as availability of contractors and materials.

29. The total draw also assumes no external grant funding is secured and this is the maximum the programme would need to draw from the original envelope during 22-23. If the programme is fortunate to draw funding from public schemes, these will be deployed before drawing corporate funds.

30. The sharp rise in the Y2 budget reflects a planned pivot from mobilisation activities in Y1 to capital interventions in Y2. Confidence in the potential to increase activity comes from the 1) CAS delivery teams being at or near full strength 2) nearing the end of the analytic stage of mobilisation and 3) a more realistic view of roll out following the inaugural year of the strategy.

Table 2				
YEAR 2	Proposed Budget (£k)			
Fund	BHE	CC	CF	Total
Capital	99	1658	9327	11084
Revenue	442	2480	3929	6851
Grand Total	541	4138	13256	17935

Risk

31. The Corporate Climate Action Risk Register describes our organisational response to climate change and focuses on areas within our control and their mitigations. These risks were last reviewed by the Executive Leadership Board on 15th December 2021. The Audit and Risk Committee last met 18th January 2022 and no issues on CAS were raised.

32. A programme level risk log is also kept. All risk marked high this quarter and last are represented in Appendix 1. A summary of the most pressing delivery risks include:

- Decisions outstanding on planned stock changes such as disposal strategies and major projects such as the Guildhall Master Plan, Barbican Arts Centre and Markets Co-location continue to create uncertainty in the Corporate Properties Group workstream for CAS. As these buildings are amongst the highest

emitters for the operational estate, understanding their future is essential in planning for, and delivery of, the 2027 CAS target.

- Data quality and in some cases availability underpins both programme planning, capital allocation and validation of CAS targets. A recent internal audit found that there is a need for stronger data governance and related procedures across the programme. For example, though data quality is high with corporate and operational assets, it is lower across our tenanted portfolio. There is a need to establish new approaches to data governance and granularity in these areas and across the programme to ensure successful delivery.
- To ensure all future major developments commissioned by the City Corporation adhere to CAS targets, new design and technology standards are being developed. Ensuring these are embedded into all new capital works and are aligned with concurrent work on new Supplementary Planning Guidance will be critical to both the City Corporation's and the Square Mile's net zero targets.
- Recent unprecedented rises in energy prices and the cost of capital works presents a significant risk to CAS target delivery. CAS delivery is supported by the delivery of planned cyclical maintenance works and the capture of energy cost savings to fund further measures. Avoiding delays due to cost pressures will be necessary to avoid knock-on impacts to CAS targets. The mitigation in place includes introduction of behavioural management programme in buildings and the implementation and potential expansion of the Power Purchase Agreement (PPA).
- The City Corporation's 2027 net zero in own operations goal is significantly affected by the rate at which the UK electricity grid decarbonises. Approximately 70% of the emissions that fall under this target come from electricity use. In 2021, it was determined that the UK grid had delivered slower decarbonisation of supply than had been forecast. Mitigating the risk of this trend continuing by advancing PPA arrangements as above and rapidly improving the energy efficiency of our physical assets remains our most pressing action to ensure we reach this near-term target.

Corporate and strategic implications

33. Strategic implications: The CAS supports delivery against the following outcomes in the Corporate Plan, 2018-23:

- Outcome 1: People are safe and feel safe
- Outcome 5: Businesses are trusted and socially and environmentally responsible
- Outcome 7: We are a global hub for innovation in financial and professional services, commerce and culture
- Outcome 10: We inspire enterprise, excellence, creativity and collaboration
- Outcome 11: We have clean air, land and water and a thriving and sustainable natural environment
- Outcome 12: Our spaces are secure, resilient and well-maintained.

34. The strategy 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 Local Flood Risk Management Strategy 2021-27, 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 portfolio.
35. Resource Implications – No new resourcing implications have arisen.
36. Risk Implications – To manage risk effectively in the programme, all projects have a risk register and the overall risks are controlled through a corporation level risk CR30 – Climate Action Strategy. No new corporate level risks have been added since the last Policy and Resources CAS update in January 2022.
37. Equalities Implications – A Test of Relevance was undertaken on the Climate Action Strategy and several positive impacts were identified for people in at least one of the following five protected groups - age, disability, race, pregnancy/maternity and gender. These include a reduction in air pollution, physical public realm improvements and increased indoor comfort levels and a reduction of fuel poverty. No negative impacts were identified. A review of the findings from the initial Test of Relevance was conducted at half year and they remain the same. Impacts will be investigated and assessed on an ongoing basis in conjunction with the delivery of the CAS programme of work.
38. No new legal, security, climate implications arise from the recommendations in this report.

Conclusion

39. In conclusion, the programme is moving from a heavy mobilisation phase in the inaugural year to a heavy intervention phase in its second. This pivot will not require any new resourcing and all targets remain achievable, with the right focus and follow through. Climate Action Strategy and the associated implementation programme continues to be an exemplar of cross-cutting working towards shared corporate outcomes. It has and will continue to be in a constant state of learning to inform the further success of the CAS.

Appendices

- Appendix 1 CAS Programme Risk Register**
- Appendix 2 CAS Year 2 Programme Highlights**

Appendix 1 CAS Programme Risk Register

Project	Description	Risk Rating (Q3)	Risk Rating (Q4)	CAS Target	Risk Response
Carbon Removals and Land Management	Negotiations with respective tenants for land considered to be of benefit for the Carbon Removals Project as part of the Climate Action Strategy are yet to be concluded	High	High	2027 Corporation	Additional consultancy has been retained to support fair and efficient process to negotiations.
Buildings – Resilience	Failure to secure specific technical capacity to inform key building design and planning application decisions relating to the whole life carbon of major developments.	High	High	Resilience Corporation	A climate resilience/sustainable design expert has now been sourced as part of the Centre of Excellence capacity-building work for FY21/22.
Square Mile	Delivery of Local Energy Plan delay due to project complexity	High	Risk is now mitigated	2040 Square Mile	A working group at officer level has been identified from Environment, Strategic Implementation and Surveyors to identify refreshed approach.
Buildings – Capital Projects (Standards)	Failure to secure specific technical capacity to inform key building design and planning application decisions relating to the whole life carbon of major developments.	High	High	2027 Corporation 2040 Corporation 2040 Square Mile	A consulting project has been commissioned to evaluate a representative sample of capital projects and their whole life carbon impact. In negotiations with a provider to deliver wrap around support to this workstream as part of the Centre of Excellence, which should accelerate action.

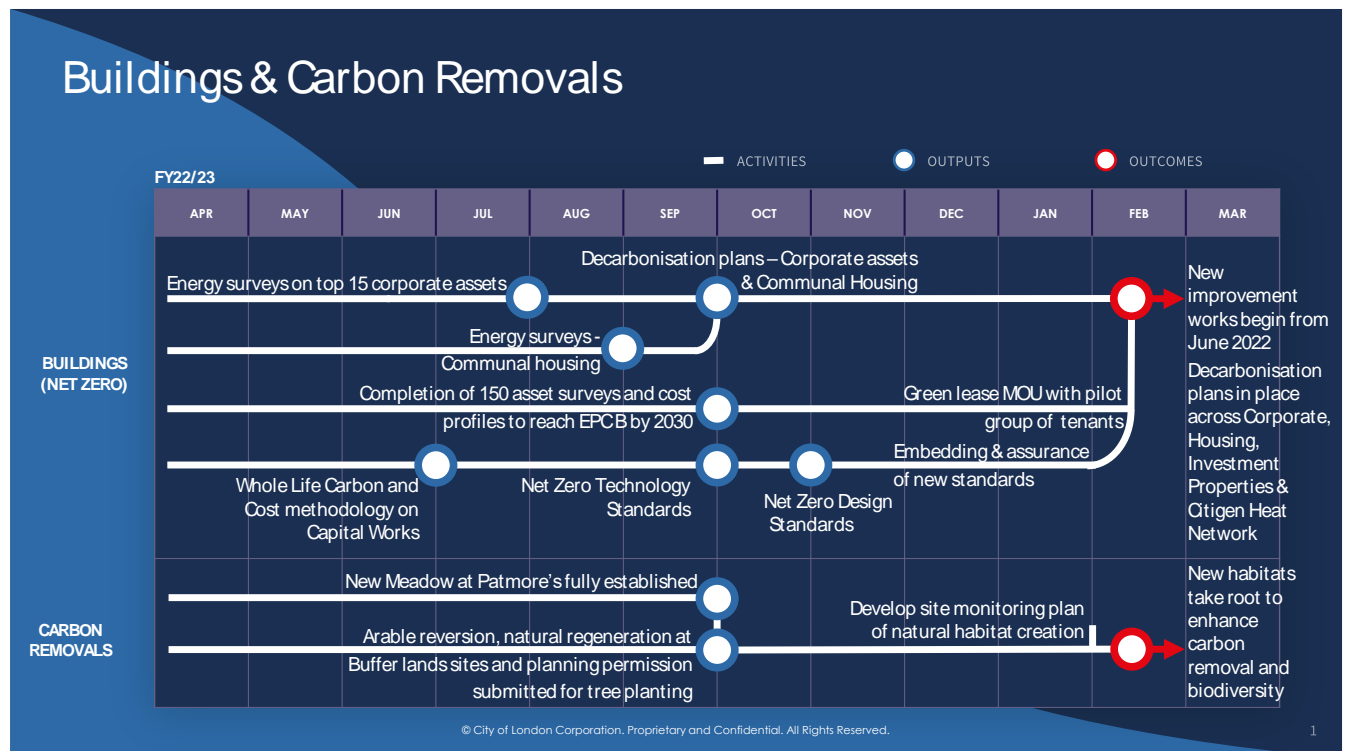
Strategy Implementation Support	Capture of financial savings to energy bill	High	Medium	2027 Corporation	Mechanism is in place and awaiting capital interventions to come online to recoup savings.
Strategy Implementation Support	Buoyant talent market for sustainability	High	Medium	2027 Corporation 2040 Corporation 2040 Square Mile Resilience Corporation Resilience Square Mile	Introduce nimble recruitment procedures for select CAS positions. Weekly monitoring of open positions performed and only have two open positions across programme.
Strategy Implementation Support	Mobilisation activities from Y1 do not quickly convert to interventions in Y2	High	High	2027 Corporation	Regular communication of delays to Chief Officers and weekly monitoring of progress for projects at higher risk of delays.
Buildings – Corporate Properties & Housing (landlord areas)	Uncertainty over future of Major Projects	High	High	2027 Corporation	Officers to prepare scenarios for decision making on interventions highlighting Guildhall following the receipt of the surveys of top emitters in Corporate Estate. Implications for CAS to be integrated into decision making on other Major Projects i.e. Markets.
Strategy Implementation Support	Construction inflation, labour and material shortages are contributing to additional costs and delays. This is a corporate wide issue not limited to CAS interventions but will of course impact several CAS workstreams.	High	High	2027 Corporation 2040 Corporation	Options to mitigate the impact are under review, such as early purchase of equipment and contract amendments.

Strategy Implementation Support	Potential for delivery delays due to resident groups not being sufficiently engaged and/or supportive of climate action measures	High	High	2027 Corporation 2040 Corporation	A dedicated engagement plan for each residential community to be in place for Y2 alongside implementation of the Housing Action Plan.
Buildings – Corporate Properties & Housing (landlord areas)	Delay in resourcing planned posts impacting delivery targets	High	Medium	2027 Corporation	New Energy Project Managers will be sourced to support the CAS operational property work as part of the Centre of Excellence capacity-building work for FY21/22. Two of 3 positions now filled.
Buildings – All	Sufficient planned stock changes in asset planning	New Risk	High	2027 Corporation 2040 Corporation	Ongoing risk management approach to be incorporated in delivery The impact of slippage to planned stock changes to be modelled in order to understand the potential impact.
Buildings – All	Funding gaps in cyclical works programme	New Risk	High	2040 Corporation	Delivery Approach to consider how cyclical works funding requirements will be addressed.
Buildings – Corporate Properties & Housing (landlord areas)	Grid decarbonisation does not occur at rate predicted in original CAS models	New Risk	High	2040 Corporation	Grid decarbonisation to be tracked by Energy Team. Ongoing risk management approach to be incorporated into Delivery Approach.

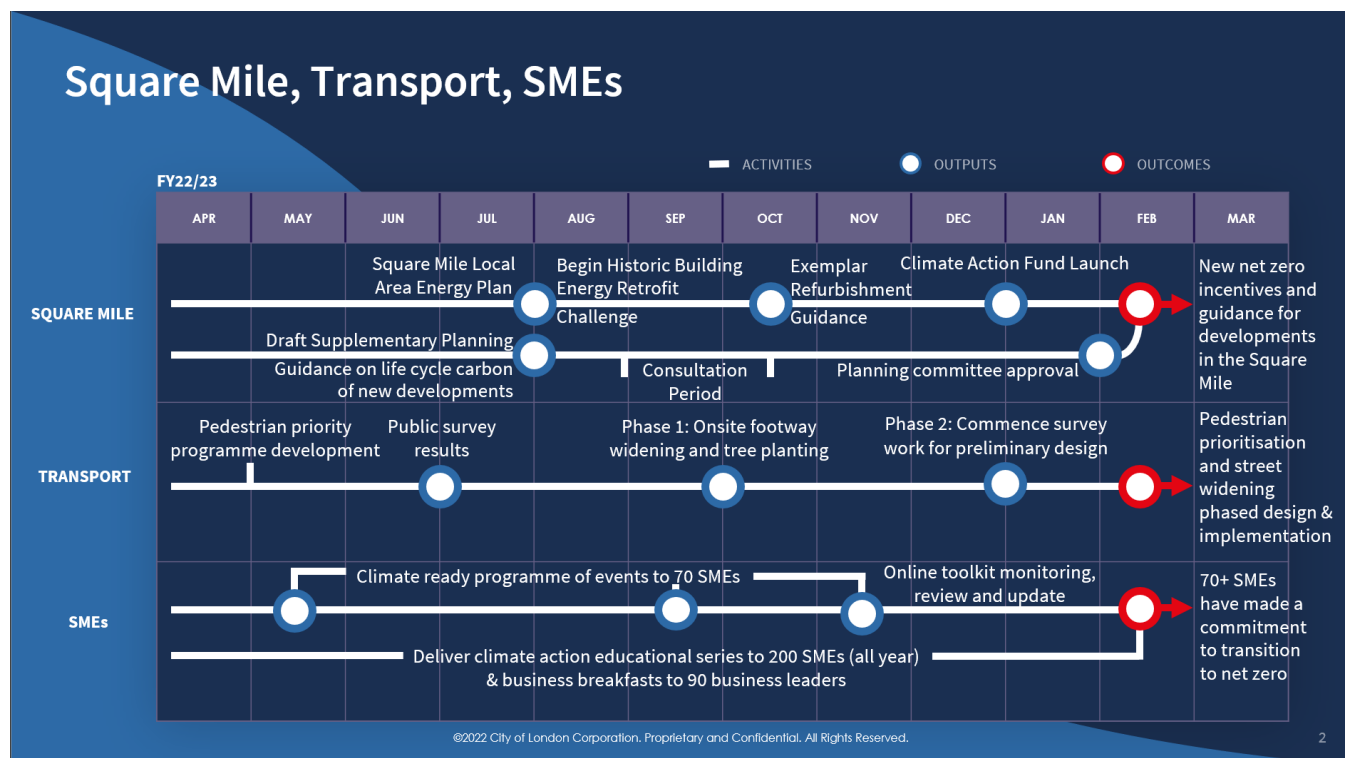
Buildings – Investment Properties	Quality of energy data is not of sufficient quality	New Risk	High	2040 Corporation	<p>Introducing improved metering strategy.</p> <p>Senior Sustainability consultant to develop and oversee implementation of a data maturity strategy</p>
Corporate Risk	Spike in energy prices	New Risk	High	2027 Corporation	<p>Introducing Behavioural management programme in buildings and look to advance quick wins</p> <p>Scoping new PPA (Power Purchase Agreement)</p>

Appendix 2 Y2 CAS Programme Highlights

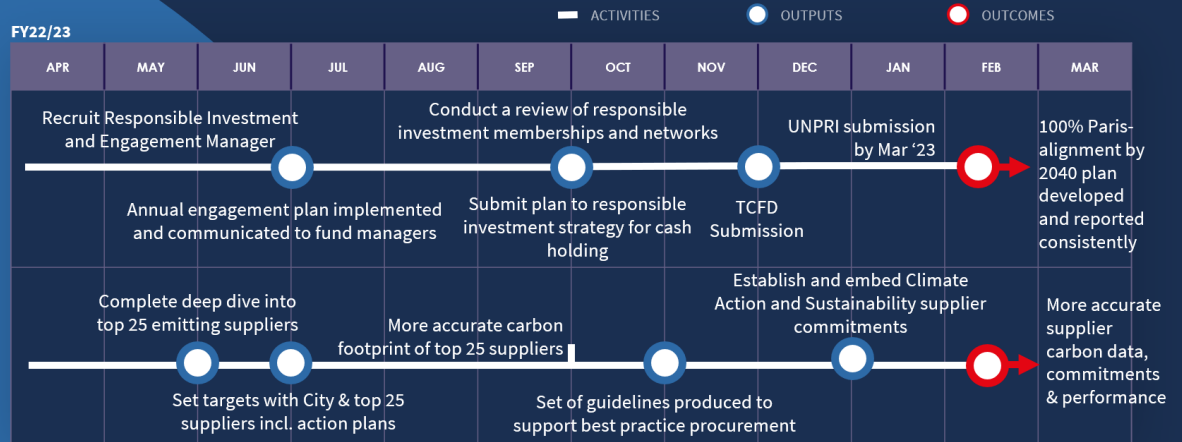
Buildings & Carbon Removals



Square Mile, Transport, SMEs



Financial Investments & Purchased Goods & Services



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3

Mainstreaming Climate Resilience, Cool Streets & Greening & Resilient Buildings



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4