

Committee	Date
Policy and Resources Committee	20 th October 2022
Subject: Year 2 Quarter 1&2 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. Y2 portion approved under CAS by Policy and Resources on 5th May 2022 & by BHE Board in 14th July 2022.</i>
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: Executive Director Innovation and Growth and Senior Responsible Officer, Climate Action	Information
Report authors: Grace Rawnsley, Programme Director, Climate Action Stuart Wright, Climate Action Advisor Karin Ballasch, Climate Action Stakeholder Engagement Lead Michaela Dhas, Climate Action Programme Manager	

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 1&2 activities of the second year of the programme. It includes a description of progress made as well as potential risks for the programme.

Recommendation

The Policy & Resources Committee is recommended to:

- i. Note the progress, risks and issues arising between April 2022 to September 2022 of year 2 of implementing the Climate Action strategy.
- ii. Note the achievement of the targets for our Scope 1&2 and resilience remain on track with no additional resources required beyond the original budget envelope.
- iii. Note that the achievement of our targets for Scope 3 and the Square Mile need continued and focused attention but no additional resources beyond the original budget envelope.

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 2 (Y2) programme of work and associated budget was approved by this committee on 5th May 2021 for the City Fund and City's Cash. Expenditure related to BHE was approved by the BHE Board in July 2022. Across the funds, a total Y2 budget for both projects and revenue of £17.94m was approved as the 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.
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 the programme.

Current Position

8. Quarter 1&2 focused on increasing transparency on progress against targets. We accomplished this through:
 - Re-assessing the carbon footprint for the first time since the baseline year of 2018/19.
 - Publishing the first [carbon performance report](#) on progress against targets.
 - Being the first authority to publish a fully transparent public [dashboard](#) tracking performance against all areas of work.
 - Being the first local authority to have a carbon footprint externally audited and verified for all three emission Scopes.
9. The carbon foot printing exercise for 2021/22 has indicated that we are on track to achieve our ambitions of being:
 - Net Zero in our own operations by 2027 (Scope 1&2)
 - Climate resilient in our buildings, public spaces and infrastructure
10. The interim target for Scope 1&2 in 21/22 is 33% decrease on the baseline. We have reduced carbon emissions by 31%. This can be explained by a slower than expected rate of decarbonisation of the national power grid.
11. The first interim target adopted by this Committee for Scope 3 emissions and the Square Mile is in 2024/25. However, we included these emissions in our recent footprint to assess our progress against:
 - Net Zero in our value chain by 2040
 - Net Zero in the Square Mile by 2040
12. Emissions in our value chain have decreased by 5.6% since our baseline year. A small decrease was expected. This is due to increased expenditure on goods and services, and increased value of our investment portfolios, as well as improvements in measurement.
13. Financial investments make up 52% of our Scope 3 emissions. The absolute emissions from the City Corporation's Pension Funds and City Cash funds as well as the investment funds held by BHE are increasing upwards by roughly 5% each year. This is expected due to the increase in value of our portfolio. However, we are closely monitoring Carbon Intensity which is tonnes CO₂e of emissions per £m invested. It reduced by almost 20% between the baseline and 2019/2021 but has come up again slightly in 2021/2022.
14. 92% of the Square Mile emissions come from transport (25%) and buildings (67%). In the latest available emissions data for the City (2019), commercial buildings reduced by 16% and transport related emissions reduced by 11%. These fall short of the required trajectories to meet our interim targets for the Square Mile of 60% emission reduction by 2025 and 73% by 2030.
15. We are monitoring these areas and have robust action plans in place to get back on track. For example, we will work closely with our fund managers to accelerate action on the reduction of emissions from our financial investments. We will be developing a Supplementary Planning Guidance document for planning applications, as well as Net Zero design and technology standards for our own buildings. These will raise standards for new builds and

refurbishments. We will also continue to implement our pedestrian priority scheme and cycle lanes to promote sustainable forms of transport.

Progress against targets

16. All progress against targets can be monitored through the [Climate Action Dashboard](#). The dashboard tracks 25 management KPIs as well as the main reporting KPI of our footprint as expressed in tonnes of CO₂e (Carbon Dioxide Equivalent). We are evaluating an additional 25 management KPIs to further improve the ability to evaluate overall progress on CAS targets. This dashboard is used as the basis for progress reporting to Committees.

Progress against delivery plans

17. The following chart summarises the delivery status of the 13 workstreams delivering Climate Action against the original Y2 plans:

Workstream	Status (Q1)	Status (Q2)
Strategic Implementation Support	Amber	Green
Buildings - Corporate Properties and Housing	Green	Amber
Buildings - Investment Properties	Amber	Green
Buildings - Capital Projects (Standards) + Resilience	Red	Amber
Purchased Goods and Services	Amber	Amber
Square Mile	Amber	Amber
Cool Streets and Greening	Green	Amber
Mainstreaming Resilience	Green	Green
Heart of the City and SME Engagement	Green	Green
Financial Investments	Green	Amber
Carbon Removals and Land Management	Amber	Red
Transport	Green	Amber

18. Green rated workstreams are all on track in terms of actions originally planned for Y2.
19. Those marked amber are those where there are one or more actions which will happen later in the programme than anticipated.
20. Those marked red have actions that were meant to be initiated in Y2 and have not yet started.
21. 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.
22. Carbon Removals and Land Management is the only workstream that is currently rated as Red. The project is currently undergoing a feasibility review by officers. This is due to a reassessment of the additional carbon sequestration

potential of the open spaces and arising concerns over the existing sequestration capacity due to recent extreme weather events. A separate report will be brought to P&R for consideration in November 2022.

23. There are several delays in the production of analytical work or key actions 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	Original Completion Date	Delayed Completion Date
Corporate Properties and Housing	Building Energy Surveys – Housing Assets	07/2021	09/2022	11/2022
Corporate Properties and Housing	Decarbonisation of heat: Housing	07/2021	09/2022	11/2022
Corporate Properties and Housing	Decarbonisation of heat: Decentralised systems (commercial)	07/2021	08/2022	10/2022
Buildings – Capital Projects (Standards) and Resilience	Whole Life Carbon and Costs Assessment	12/2021	04/2022	09/2022
Buildings – Capital Projects (Standards) and Resilience	Development of Net Zero Technology Design Standards	03/2022	09/2022	10/2022
Purchased Goods and Services	Establishing targets with City & top 25 suppliers and develop action plans	02/2022	06/2022	09/2022
Square Mile	Square Mile Local Area Energy Plan (multiple actions)	04/2022	07/2022	01/2023
Square Mile	Historic Building Energy Retrofit – development of web portal for engagement	07/2022	07/2022	10/2022
Square Mile	Exemplar Refurbishment Guidance (multiple actions)	08/2022	10/2022	12/2022
Square Mile	Climate Action Fund Launch (multiple actions)	05/2022	12/2022	03/2023
Square Mile	Draft Supplementary Planning Guidance on life carbon of new developments (multiple actions)	07/2022	01/2023	03/2023
Cool Streets and Greening	Installation of monitoring infrastructure (sensors)	04/2022	07/2022	10/2022

Financial Investments	Annual Engagement plan implemented and communicated to fund managers	04/2022	06/2022	10/2022
Financial Investments	Conduct review of responsible investment membership and networks	07/2022	09/2022	11/2022
Financial Investments	Submit plan to responsible investment strategy for cash holdings	07/2022	09/2022	10/2022

Change Control

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

Achievements

25.Advancing interventions in corporate housing and investment properties continues to be the biggest focus. The ability to accelerate actions under these workstreams remain our biggest risk and biggest opportunity.

- 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.
- Surveys have identified 50 interventions across these buildings with an expected capital cost of approximately £6m. These measures are being drawn into a delivery plan covering the period to 2026/27. The delivery plan will be in place by the end of October.
- 90 out of 118 investment properties have been surveyed with draft reports issued. The remainder will be completed by October 2022 to inform asset plans for each Fund.
- A draft metering strategy for investment properties has been completed and is expected to be in place from October onwards.
- Heat decarbonisation plans for communally heated estates are being developed. Particular attention is being paid to sites that require immediate interventions.
- 4 pilots on whole life carbon assessments for projects have been completed: Finsbury Gardens Pavilion, Eldon Street, Broad Street and Brewery Road.
- A decarbonisation plan for the Heathrow Animal Reception Centre is being developed using a grant from the “Low Carbon Skills Fund” (£50k).
- A decarbonisation feasibility study for the Cemetery & Crematorium is underway.

26.We continue to work with a diverse set of stakeholders to learn, influence and act. A sample of engagements this quarter include:

- An annual stakeholder survey was completed in June 2022. It was designed to assess knowledge and understanding of how climate change is being addressed by the City Corporation. The results of the survey will be available in the Climate Action Dashboard at the end of October 2022.
- 88 SMEs have signed up to the course “Climate for SMEs: 4 steps to action” delivered by our partner Heart of the City (HoTC). An additional 4 education sessions have been delivered to SMEs on measuring Scope 3 emissions, sustainable supply chains, climate change and technology emissions.
- Continued engagement with our Top 25 suppliers is taking place. Actions included reviewing contracts and trialling new product/supplies on specific sites to evaluate their impact on net zero objectives.
- Active engagement with the London Climate Change Partnership, London Responsible Procurement Network, London Councils Green and Resilient Working Group and Livery Companies Climate Action Group.
- Engagement with the City Property Association on the building refurbishment study and our Building Refurbishment Guidance.

27. We are committed to embedding CAS across the City Corporation’s activities. A sample of engagements include:

- Working with the Corporate Strategy and Performance Team to ensure CAS goals are considered and represented in business planning. Piloted an approach to embed CAS within Port Health & Public Protection’s 5-year departmental plan.
- Seeking opportunities to engage younger audiences with the CAS through working with City Schools Head Teachers forum.
- Working with a wide range of stakeholders across the organisation on the design and technology standards for buildings, and climate impact modelling for resilience plans on flooding and heat stress.
- Internal upskilling sessions on environmental resilience and climate across the environment department.
- Scoping of ward-level climate action plan pilots to engage with residents and businesses on key CAS priorities.

28. We are investing in the public realm and Open Spaces. And are working with others to protect and prepare them for the future.

- The pedestrian priority programme commenced statutory consultation on experimental traffic orders in early 2022. Subject to results of the statutory consultation and committee approval the orders will be made after a decision in January 2023. From early October we are undertaking a 6-week public consultation exercise on the permanent designs to understand if these measures are supported by the public.
- Convened the project steering group for the Historic Retrofit Challenge including Historic England, New London Architecture, City Property Alliance, and the Church of England.
- Installed environmental monitors at the Riverside Planters at the City of London School and at the Cheapside Sunken Garden.

- Flood modelling maps for publication on Corporate GIS system and review brief completed for the Strategic Flood Review.

Financial Update

29. The table below summarises the financial position of the revenue and capital elements of the programme as of August 2022 in year 2. The differences between the budget envelope requested and amount drawn are due to several reasons. For revenue these are: 1) unrealised or delayed actions which will now take place in Quarter 3&4 and 2) reassessment of plans based on continuous learning. For capital, this is largely due to: 1) delays in the production of portfolio level management plans 2) delays in procuring expertise and 3) delays in procuring contractors. This means that capital spend will be pushed into Quarter 3&4 where appropriate.

Table 1								
YEAR 2	Original Budget (£k)				Actual Spend (£k)			
Fund	BHE	CC	CF	Total	BHE	CC	CF	Total
Capital	99	1,598	9,860	11,557	-	98	520	618
Revenue	442	2,361	4,077	6,881	102	462	986	1,550
Grand Total	541	3,959	13,938	18,438	102	560	1,507	2,169

Risk

30. 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 21st September 2022.

31. 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. Results from the current capital review process should help to provide clarity on this issue.
- 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).

- Accelerating action in year 2 on the implementation of energy reduction interventions are key to ensuring we meet the 2027 net zero target. This is due to the time anticipated to deliver some of these projects, alongside our ability to recoup energy savings from these interventions.
- Data quality 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. We are currently establishing new approaches to data governance and granularity in these areas and across the programme to ensure successful delivery.

Corporate and strategic implications

32. 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.

33. 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.

34. Resource Implications – No new resourcing implications have arisen.

35. 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 on 5th May 2022.

36. 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.
37. No new legal, security, climate implications arise from the recommendations in this report.

Conclusion

38. In conclusion, we remain on track to deliver our targets for Scope 1&2 and resilience as evidenced by our recent carbon footprint reassessment. Scope 3 emissions and those for the Square Mile require more focused attention but have robust plans in place to ensure we meet our goals.

Appendices

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

Appendix 1 CAS Programme Risk Register

Project	Description	Risk Rating (Q1)	Risk Rating (Q2)	CAS Target	Risk Response
Carbon Removals and Land Management	Delay in resourcing planned posts impacting delivery targets	High	High	2027 Corporation	Recruit contractor(s) if recruitment unsuccessful.
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.

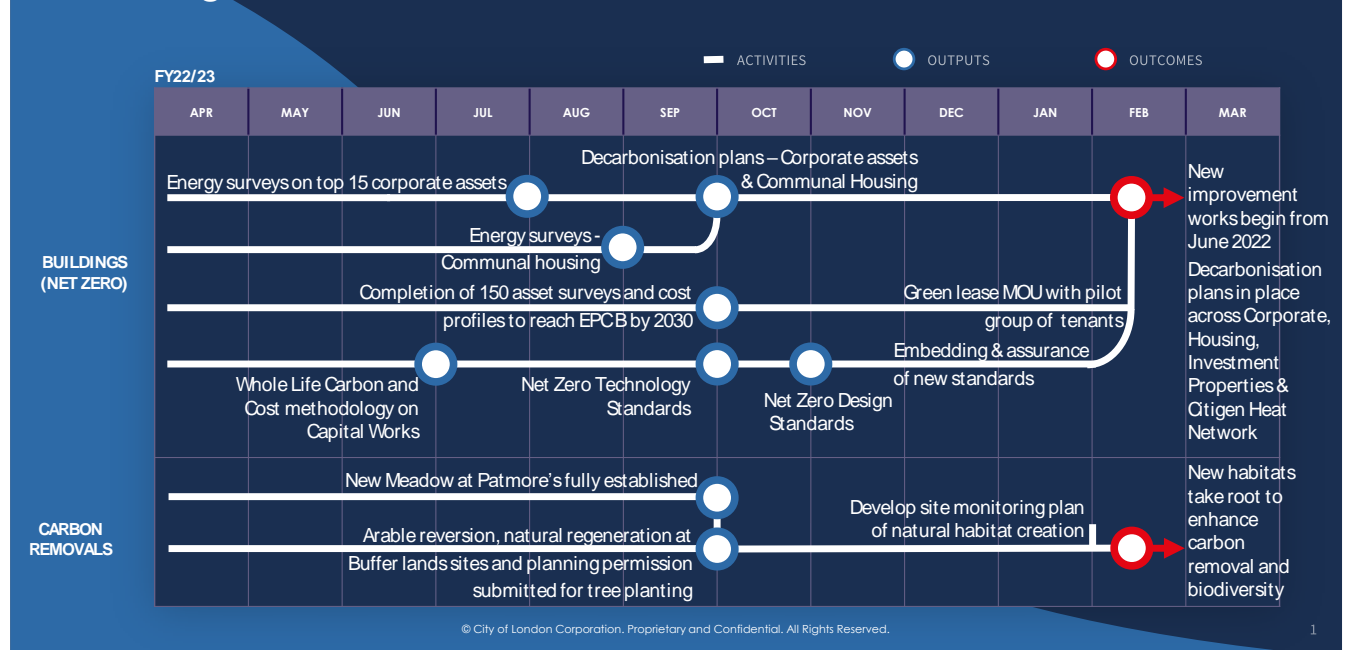
Buildings – Corporate Properties & Housing (landlord areas)	Uncertainty over future of Major Projects	High	High	2027 Corporation	Officers to prepare scenarios for decision making on interventions highlighting Guildhall following the receipt of the surveys of top emitters in Corporate Estate. Implications 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 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. Challenging labour markets have delayed successful recruitment to one vacant position remaining. Recent changes within the Energy and Sustainability team have also led to a vacant role for the Energy and Sustainability Manager, a valuable resource, which we hope to recruit to on a temporary basis. i
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, Cool Streets & Greening, Transport	Delay or reprioritisation of CAS capital projects and capital projects with a CAS dependency by the capital review process	New Risk	High	2027 Corporation 2040 Square Mile Resilience	Officers work closely with the finance team to ensure that CAS projects are identified appropriately and prioritised accordingly
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.

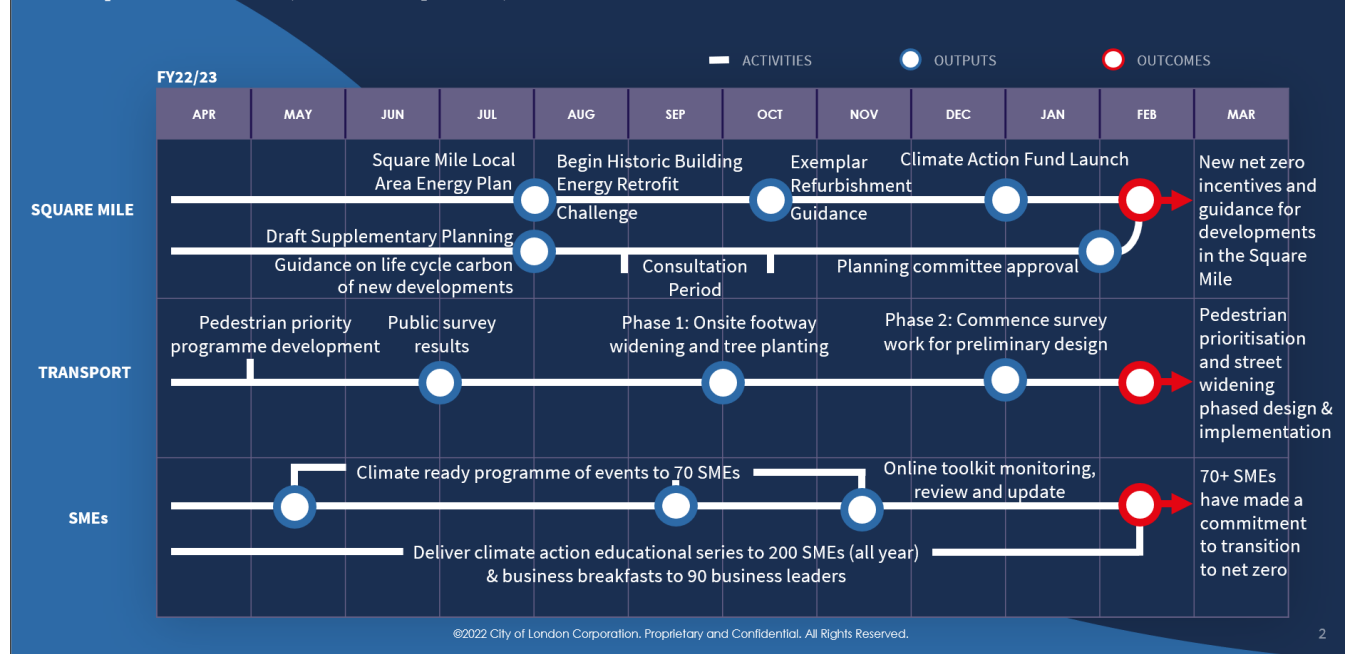
Buildings Investment Properties	–	Quality of energy data is not of sufficient quality	New Risk	High	2040 Corporation	Introducing improved metering strategy. Senior Sustainability consultant to develop and oversee implementation of a data maturity strategy
Corporate Risk		Spike in energy prices	New Risk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

Appendix 2 Y2 CAS Programme Highlights

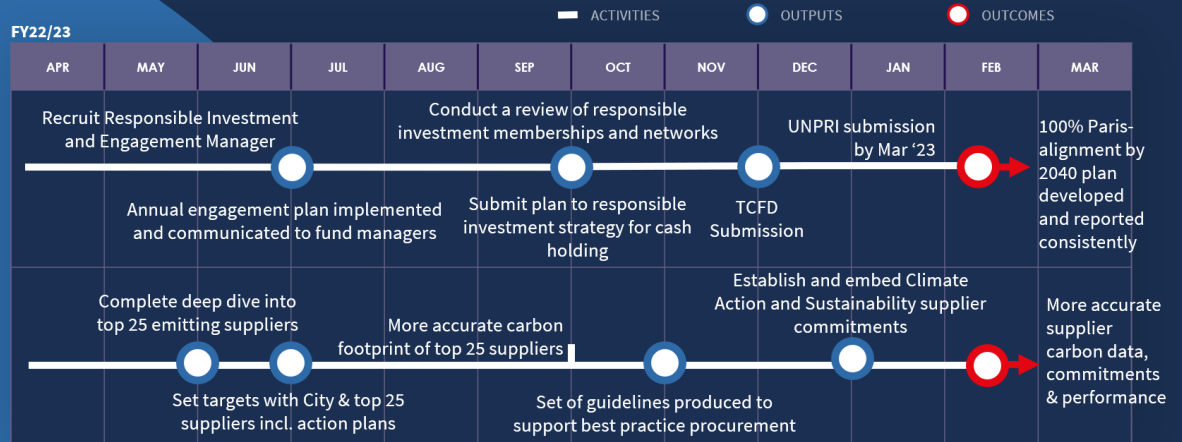
Buildings & Carbon Removals



Square Mile, Transport, SMEs



Financial Investments & Purchased Goods & Services



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Mainstreaming Climate Resilience, Cool Streets & Greening & Resilient Buildings



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