

Committee	Date
Policy and Resources Committee	16 th November 2023
Subject: Year 3 Quarters 1&2 Update on Climate Action and Annual Climate Action Progress Y2.	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. Y3 portion approved under CAS by Policy and Resources on 20th April 2023 & by CBF Board on 15th May 2023.</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: Kate Neale, Programme Director, Climate Action Simi Shah, Project Director, Innovation & Growth Stuart Wright, Programme Advisor, Climate Action Karin Ballasch, Stakeholder Engagement Lead, Climate Action Michaela Dhas, Programme Manager, Climate Action	

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 quarters 1 and 2 activities of the third year of the programme, including a description of progress as well as potential risks.

Recommendation

The Policy & Resources Committee is recommended to:

- i. Note the progress, risks and issues arising between April 2023 to September 2023 of year 3 of implementing the Climate Action Strategy (CAS).
- ii. Note that our Scopes 1 and 2 (CoLC operations), our value chain (Scopes 1-3), Square Mile and resilience targets all remain on track with no additional resources required 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 CAS. The Strategy was adopted at Court of Common Council on 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 3 (Y3) programme of work and associated budget was approved by this committee on 20th April 2023 for the City Fund and City's Cash. Expenditure related to City Bridge Foundation (CBF) was approved by the CBF Board (previously called BHE Board) in May 2023. Across the funds, a total Y3 budget for both projects and revenue of £19.54m was approved as the allocation required under the original budget envelope.
5. The annual programme of work is based on detailed plans for 13 projects across six different departments, each of which reports to the 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 3. Policy and Resources also approves annual budget drawdown against the original envelope for City's Cash and City Fund.
6. CBF funds are approved by the CBF Board but are shown here for illustrative purposes and for demonstrating combined commitment between CBF and the City Corporation. The decisions relevant to CBF will be taken through their independent governance arrangements.
7. For the initial years, City's Cash and City Fund drawdowns are from central reserves. In later years the annual budgets will be partly funded by savings to the energy bill. A revolving mechanism to capture financial savings from the corporate energy bill was planned to capture the savings from the capital interventions under CAS and the Public Sector Decarbonisation Fund (PSDS) projects. Measurement and verification protocols capturing energy and cost savings from CAS and PSDS interventions are in design. The Energy team in the City Surveyors Department, the central CAS team and the Chamberlains Department are working together on final design and implementation of a mechanism to return quantified savings into

a Build Back Better fund¹, to support the future roll out of CAS capital interventions.

8. At Policy & Resources Committee on 8 July 2021, it was resolved that authority be granted to the Senior Responsible Officer to mitigate the risk of delays impacting the Net Zero 2027 target. This included: i) Review and approval of gateway reports and issues logs related to capital expenditure up to £1m (note, expenditure above £1m will follow the normal gateway procedures); and ii) Approval of revenue expenditure across the programme from the approved Climate Action budget. This authority continues to bring desired momentum to the programme.

Progress against targets

9. In addition to continuing works delivery, quarters 1 and 2 focused on increasing transparency on progress against targets. We accomplished this through:
 - Reassessing the entire carbon footprint for the second time since the baseline year of 2018/19.
 - Publishing the second Climate Action Progress Report, covering the second year of implementation of the CAS, and our net zero and climate resilience targets' position. External publishing on the website will be in November 2023.
 - Updating the public [climate action performance dashboard](#) tracking performance across all areas of the programme.
 - Continuing to demonstrate accountability on transparency; other local authorities by having our carbon footprint externally audited and verified (Scopes 1 and 2 for FY 2022/23).
10. The carbon footprinting exercise for 2022/23 has indicated that we are on track to achieve our ambitions of being:
 - Net zero in our own operations by 2027 (Scopes 1 and 2)
 - Net zero across the City Corporation's full value chain (Scopes 1-3, including emissions from our procured products & services, investments and capital works) by 2040
 - Net zero in the Square Mile by 2040
 - Climate resilient in our buildings, public spaces and infrastructure
11. The interim target for Scopes 1 and 2 (gross emissions²) in 2022/23 was a 38% decrease on the baseline. We have reduced carbon emissions by 37%. Including carbon removals from our Open Spaces, our net emissions reduction target was 68%, and we have reduced net emissions by 66%. Despite an increase in summer cooling demand and a return of higher building occupancy levels, we have remained on track to the goal of net zero in operations by 2027.
12. 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

¹ Revolving fund to capture energy savings from CAS projects.

² Gross emissions refer to are actual total emissions without accounting for the removals of our open spaces.

- Net zero in the Square Mile by 2040

13. Net emissions in our full value chain (Scopes 1-3) have decreased by 18% since our baseline year, on track for the first interim target of 26% by 2024/25. This was due to a reduction in the carbon intensity of our investment properties, better data on emissions performance from our purchased goods and services (suppliers) and lower absolute emissions in our financial investment portfolio.
14. Emissions from financial investments (which comprise circa 50% of Scope 3 emissions) have reduced by 19% since the (updated) baseline. In comparison to the previous financial year (2021/22), all our Funds show clear emission reductions, with the Pension Fund pooled with London Collective Investment Vehicle achieving the greatest with a 30% decrease, followed by City Cash at 23%, and City Bridge Foundation at 18%. A combined 70% emission reduction was achieved by Hampstead Heath and Charities Pool compared to FY 2021/22 but it should be noted that these are single manager funds. Decreases across all funds can be attributed to increased commitments from fund managers with the majority of managers now being members of the Net Zero Asset Managers Initiative, which requires members to set their own net zero targets along with interim targets.
15. Our annual GHG emissions calculation exercise revealed that the City Corporation's fund managers were not including emissions from sovereign bonds in their quarterly returns. This led to a refinement of the emissions calculation methodology of sovereign bonds in line with PCAF guidelines and has resulted in a restatement of emissions from financial investment for every year of the Strategy. Members will want to note that this means a new baseline has been calculated, and fund manager reporting has been corrected for future cycles, but the emissions reductions described above are independent of methodological improvements.
16. 90% of the Square Mile's emissions come from buildings (75%) and transport (15%). In the latest available emissions data for the City (2020), overall emissions had reduced by 40% since 2017. Buildings reduced by 34% and transport related emissions reduced by 62%. Whilst these data put the City on track to meet its first interim target of 60% by 2025, it should be noted that progress is blurred by the impact of the COVID-19 pandemic that greatly impacted City activities in 2020.
17. All progress against targets can be monitored through the [Climate Action Dashboard](#). The dashboard tracks 31 management KPIs and 21 main reporting KPIs of our footprint as expressed in tonnes (or kilotonnes) of CO₂e (Carbon Dioxide Equivalent). This dashboard is used as the primary reference for data underlying progress reporting to Committees as well as wider stakeholders.

Progress against delivery plans

18. The following chart summarises the delivery status of the 13 projects delivering Climate Action against the original Y3 plans:

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

* Q1 refers to year period between 01 April – 30 June

** Q2 refers to period between 01 July – 30 September

19. Green rated projects are all on track in terms of actions originally planned for Y2.
20. Those marked amber are those where there are one or more actions which will happen later in the programme than anticipated.
21. Those marked red have actions that were meant to be initiated in Y2 and have not yet started.
22. Projects 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.
23. Carbon Removals and Land Management is the only project that is currently rated as Red. Officers have completed a feasibility review to reassess additional carbon sequestration potential of the open spaces and investigate concerns over the health and capacity of existing sequestration due to recent extreme weather events. A separate report will be brought to this committee once the proposed project rescoping proposal has been finalised. Until that time that workstream is paused.
24. There are several delays affecting delivery across the Strategy. These are summarised in Appendix 4. Additional Member and operational oversight will be needed to accelerate action along the new schedules.

Change Control

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

Financial Update

26. The tables below summarise the financial position of the revenue and capital elements of the programme as of 1 October 2023 for year 3 of CAS delivery.

27. The differences between the budget envelope requested and amount drawn are due to several reasons. For revenue these are:

- a. Unrealised or delayed actions which will now take place in Quarters 3 and 4, and
- b. Reassessment of plans based on continuous learning.

For capital, this is largely due to:

- a) Delays in the production of portfolio level management plans
- b) Delays in procuring expertise and
- c) Delays in procuring contractors.

This means that capital spend will be pushed into Quarters 3 and 4 where appropriate.

Table 1

YEAR 3	Original Budget (£k)				Actual Spend (£k)			
Fund	CBF	CC	CF	Total	CBF	CC	CF	Total
Capital + SRP	745	3,435	9,864	14,043	0	234	1,049	1,283
Revenue	368	1,492	3,640	5,500	127	476	1,022	1,625
Grand Total	1,113	4,926	13,504	19,543	127	711	2,071	2,908

Risk

28. 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 18th October 2023.

29. 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:

- a. Underfunded cyclical works in our corporate estate which relate to energy. A paper submitted to OPPSC (now dissolved with responsibilities going to RASC) on 17th April 2023 clearly identified £18.5m worth of projects which are to be completed before 2027. A total of £5.9m of this is backlog or deferred maintenance. The remainder is in year projects. Both are needed to improve and reinforce climate action interventions for overall emissions reduction across the estate. The £18.5m was approved for inclusion in the Medium-Term Financial Plan by RASC and we are waiting for an update from City Surveyors about delivery.

- b. Decision timelines on planned stock changes continue to be a potential risk for the programme. Major projects such as the Guildhall Master Plan, Barbican Arts Centre and Markets Co-location must now be considered inside the portfolio for purposes of planning to achieve the 2027 target. Furthermore, a lack of visible and well understood corporate disposal and portfolio acquisition strategies does limit the ability to have certainty over the 2027 target and hampers effective CAS delivery planning. The same is true for the investment estate for the 2040 goal. We are waiting for an update from the Operational Property Review Board on progress in this.

Corporate and strategic implications

- 30. Strategic implications – The CAS supports delivery against the following outcomes in the Corporate Plan, 2018-23:
 - c. Outcome 1: People are safe and feel safe
 - d. Outcome 5: Businesses are trusted and socially and environmentally responsible
 - e. Outcome 7: We are a global hub for innovation in financial and professional services, commerce and culture
 - f. Outcome 10: We inspire enterprise, excellence, creativity and collaboration
 - g. Outcome 11: We have clean air, land and water and a thriving and sustainable natural environment
 - h. Outcome 12: Our spaces are secure, resilient and well-maintained.
- 31. 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 2040, 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.
- 32. Resource Implications – No new resourcing implications have arisen.
- 33. 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 26th June 2023.
- 34. 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.

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

Conclusion

36. In conclusion, we remain on track to deliver our targets for 2027 (Scopes 1 and 2) and 2040 (Scopes 1-3, Square Mile and climate resilience). Emissions from the Square Mile require more focused attention to ensure savings are maintained post-COVID, but we have robust plans in place to ensure we meet our goals.

Appendices

- Appendix 1 - CAS Programme Risk Register
- Appendix 2 - Achievements from Year 3 (FY 2023/24, Q1-Q2)
- Appendix 3 - CAS Year 3 Programme Highlights
- Appendix 4 - CAS Delayed Workstreams
- Appendix 5 - Year 3 budget analysis