

Committee	Date
Policy and Resources Committee	11 April 2024
Subject: Year 3, quarter 4 update on the Climate Action Strategy & Year 4 Action Plan	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. The YEAR 3 portion approved under CAS by the Policy and Resources Committee on 20th of April 2023 and by the CBF Board on 15th May 2023. The YEAR 4 spend relating to CBF will be presented to their board on May 16th.</i>
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: Damian Nussbaum, Executive Director Innovation and Growth	For Decision
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Summary

In October 2020, the Court of Common Council approved an ambitious Climate Action Strategy. A transformative programme for the City of London Corporation to reach net zero carbon emissions, build resilience and champion sustainable growth. This paper reports the results of the planned quarter 4 activities of the third year of the programme. It includes a description of progress made as well as potential risks for the programme. The paper also includes a summary of the plans for the fourth year of the programme.

Recommendations

The Policy & Resources Committee is recommended to:

- i. Note the progress, risks and issues arising between January and March 2024 of Year 3 of implementing the Climate Action Strategy.

- ii. Approve the drawdown of funds for implementation of the Climate Action Strategy in FY24-25 as set out in Table 2 from that original budget envelope. This represents portions for City Fund (£14.09m) and City's Estate (£6.01m).
- iii. Note the potential risks to the 2027 target.
- iv. Note that the achievement of our targets for Scope 3 and the Square Mile needs continuous and focused attention but creating no additional resources beyond the original budget envelope.

Main Report

Background

1. In November 2019 the City Corporation set out on a fast-paced, cross-corporation journey to develop an ambitious Climate Action Strategy (CAS). The Strategy was adopted at the Court of Common Council on 8 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 climate resilience, and
 - to champion sustainable growth.
3. The Court approved an original funding envelope of £68m to deliver the Strategy up to 2027. The Policy and Resource Committee approves annual budget drawdown against the original envelope for City's Estate and City Fund. Relevant Service Committees and the Policy and Resources Committee also receive quarterly updates on progress and corresponding expenditure.
4. The Year 3 programme of work and associated budget was approved by this committee on 20 April 2023 for the City Fund and City's Estate. Expenditure related to City Bridge Foundation (CBF) was approved by the CBF Board in May 2023. Across the funds, a total Year 3 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 their 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 the Policy and Resource Committee as a summary delivery programme as shown in [Appendix 3](#).
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 Estate and City Fund drawdowns are from central reserves. In later years the annual budgets will be partly funded by savings from the energy bill. A revolving mechanism to capture financial savings from the corporate energy bill has been designed (deposits will be made to the Build Back Better Fund), capturing savings from the capital interventions under CAS and the Public Sector Decarbonisation Scheme project. It is expected that realisable savings will come online in the financial year 2024/25 (see [Appendix 5](#)).
8. In July 2021, this committee approved delegated authority powers in relation to project delivery to the Senior Responsible Officer of CAS. This authority continues to bring the desired momentum to the programme.

Progress against targets

9. The focus in Q3 was preparing and publishing our [second annual progress report](#), reporting our emissions reductions in financial year 2022/23. Alongside the progress report, the [Climate Action Performance Dashboard](#) was also annually updated with the latest data pertaining to both our progress against our targets and KPIs relating to the 12 different climate action projects.
10. The focus in Q4 has been on preparing the Year 4 project plans for all 13 CAS projects. Quarterly data collection is currently underway, and the Dashboard will be updated next on the 10th April 2024.
11. The carbon footprinting exercise for 2022/23 indicated that CoLC 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.
12. We have reduced Scopes 1 and 2 gross emissions by 37% since the baseline, against an interim target of a 38% decrease. Including carbon removals from our Open Spaces, our net emissions reduction target was 68% and we reduced net emissions by 66%. Despite an increase in summer cooling demand and a return of higher building occupancy levels, we remain on track to the goal of net zero in operations by 2027.
13. 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
14. Emissions in our full value chain (Scopes 1-3) have decreased by 18% since our baseline year. 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.
 15. Emissions from financial investments (which comprise circa 50% of Scope 3 emissions) have reduced by 18.6% since the baseline. In comparison to the previous financial year (2021/22), all our funds show clear emission reductions, with the Pension Fund taking the lead with a 30% decrease, followed by City's Estate at 23%, and City Bridge Foundation at 18%. An impressive, combined 71% emission reduction was achieved by Hampstead Heath and Charities Pool compared to FY 2021/22. Decreases across all funds can be attributed to divestment from funds, portfolio diversification and fund managers setting their own net-zero targets through the Net-Zero Asset Managers Initiative (NZAM).
 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 Corporation 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 41 management and 23 reporting KPIs. Our footprint is expressed in tonnes of CO₂e (Carbon Dioxide Equivalent). This dashboard is used as the basis for progress reporting to Committees.
 18. Future focus:
 - In FY 2022/23, Scopes 1&2 net emissions achieved a substantial 66% reduction from the baseline year 2018/19, nearing the 68% interim target. The subsequent interim net emissions target for FY 2023/24 is set to an ambitious 84%.
 - Full value chain emissions (Scopes 1, 2 and 3) have seen an 18% reduction compared to the 2018/19 baseline. Looking ahead to FY 2024/25, our interim target is a 26% reduction.
 - Square Mile emissions exhibited a notable 40% reduction in 2020 compared to the baseline year 2017, with our interim target for 2025 being 60% in emission reduction (see [Appendix 6](#)).
 19. As part of our Year 4 plan, we intend to repeat a comprehensive emission accounting exercise across all three Scopes and the Square Mile. Additionally, we will re-evaluate our current progress against our net zero

targets trajectories while auditing our Scopes 1, 2 and 3 emissions.

Progress against delivery plans

20. The following chart summarises the delivery status of the 13 projects delivering Climate Action against the original Year 3 plans:

Project	Status (Q3)	Status (Q4)
Strategic Implementation Support	Green	Green
Buildings - Corporate Properties and Housing	Amber	Amber
Buildings - Investment Properties	Amber	Red*
Buildings - Capital Projects (Standards)	Green	Green
Buildings - Resilience	Amber	Red*
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	Green
Transport	Amber	Amber

- Green-rated projects are all on track in terms of actions originally planned for Year 3.
- Those marked amber are those where there are one or more actions which will happen later in the programme than anticipated.
- Those marked red have actions that were meant to be initiated in Year 3 and have not yet started.

21. The red, amber and green ratings in the above table denote progress to planned activities made at the start of the financial year. It does not denote progress to CAS goals and targets.

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 a special emphasis on actions relating to 2027 targets.

23. As outlined in the table above, there are currently two projects marked red:

- **Carbon Removals and Land Management:** The Project has been undergoing a major rescoping by Arcadis consultants together with Natural Environment staff and so rated red in Q3. The rescope was approved in January 2024 by P&R and the works on the sites should start soon, and so this is now rated green.

- **Buildings - Investment Properties Group and Resilient Buildings:**
The progression of capital works for these projects is currently impeded due to lack of certainty with regard to redevelopment and disposal strategies, which are currently under review. Furthermore, all but two of the City Fund assets are tenanted, and therefore access to undertake works requires negotiation.

24. There are several reported delays to what was set out in project plans. Projects suffering delays are marked either Amber or Red. Those projects will receive more regular progress reviews at officer and member level, as appropriate, until expected delivery pace has been achieved. These are summarised in [Appendix 4](#).

Change Control

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

26. Owing to project delivery challenges caused by both internal and external factors, and the need to maintain focus on delivery, certain projects must undergo extensions beyond their initially scheduled timelines. These extensions, will be financed in accordance with their original budget allocations, thereby eliminating the need for any supplementary funds. These projects are:

- Investment Properties – extended to March 2027
- Cool Streets & Greening – extended to March 2026
- Mainstreaming Resilience – extended to March 2026
- Square Mile – extended to March 2026
- Financial Investments – extended to March 2027
- Strategy Implementation Support – extended to March 2027

Financial Update

27. The tables below summarises the financial position of the revenue and capital elements of the programme as at 27 February 2024 for Year 3 and proposed draw down for Year 4.

28. The differences between the budget envelope requested and the amount drawn in Year 3 are due to several reasons. For revenue, these are:

- 1) unrealised or delayed actions which will now take place in Year 4;
- 2) reassessment of plans based on continuous learning;
- 3) incomplete financial year spend data.

For capital, this is largely due to:

- 1) delays in the production of portfolio-level management plans;
- 2) delays in procuring expertise;
- 3) delays in procuring contractors;
- 4) delays due to development and disposal strategies being developed.

29. This means that some of the capital spend intended for Year 3 is now reflected in Year 4 projections.

30. Due to significant budget underspends of some of the projects, project leads were required to redesign their yearly spending and resulting actions for the financial year 2024/25. This resulted in some of the budgets being reassigned to Year 4. Table 1 (below) compares the original budget allocation including revenue and capital per fund to actual Year 3 spend. Table 2 (below) sets out estimated spend per CAS project in Year 4.

Table 1 – 2023/2024 Budget Position

Year 3	Original Budget (£k)				Actual Spend (£k)*			
	CBF	CE	CF	Total	CBF	CE	CF	Total
Capital + Supplementary Revenue Projects (SRP)	745	3,435	9,864	14,043	0	312	3,665	3,978
Revenue	368	1,492	3,640	5,500	180	847	1,970	2,998
Grand Total	1,113	4,926	13,504	19,543	180	1,159	5,635	6,975

*as of 27/02/2024

Table 2 – 2024/2025 Budget Allocation Per Fund

Project Name	Funds Allocation (Year 4)	CBF	CE	CF
Strategy Implementation Support	£919,500	£55,170	£248,265	£616,065
Corporate Property Group Buildings	£7,056,995	£0	£2,117,099	£4,939,897
Investment Property Group Buildings	£2,824,880	£1,780,700	£584,741	£459,439
Design Standards	£310,000	£55,800	£142,600	£111,600
Resilient Buildings	£3,374,800	£514,800	£1,601,600	£1,258,400
Carbon Removals	£1,147,791	£0	£1,147,791	£0
Cool Streets and Greening	£2,380,000	£0	£0	£2,380,000
Financial Investments	£120,900	£39,897	£39,897	£41,106
Heart of the City & SMEs	£200,000	£0	£0	£200,000
Mainstreaming Climate Resilience	£270,000	£0	£0	£270,000
Purchased goods and Services	£291,000	£14,550	£130,950	£145,500
Square Mile	£525,000	£0	£0	£525,000
Transport	£3,150,000	£0	£0	£3,150,000
TOTAL	£22,570,866	£2,460,917	£6,012,942	£14,097,007

Risk

31. The City 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 18 October 2023.
32. A programme-level risk log is also kept. All risks marked high this quarter and last are represented in Appendix 1. A summary of the most pressing delivery risks are summarised below. Two are internal and therefore easier to mitigate and three are exogenous.
33. The two internal risks are:
 - a. Underfunded cyclical works in our corporate estate which relate to energy. A paper went 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 and will have a positive impact on building energy consumption. The £18.5m was approved by RASC but is awaiting further approval by Court. 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. It is imperative to accelerate climate-related cyclical works by March 2026 to ensure CoLC achieves its net zero targets.
 - b. Decision timelines on planned stock changes continues 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 investment portfolio disposal and acquisition strategies does limit the ability to have certainty over the 2040 target. It also hampers effective CAS delivery planning.
34. The three external risks are:
 - a. Talent acquisition and retention in a buoyant market for sustainability. This is complicated by our internal recruitment processes and response times.
 - b. Volatility in energy prices still presents high risk although Power Purchase Agreement (PPA) and softening Energy Markets reduced pressure on energy budgets.
 - c. The cost of capital works due to inflation presents a significant risk to CAS target delivery.

Corporate and strategic implications

35. Strategic implications - The Strategy fully aligns with the new Corporate Plan (2024-29) and 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 with ongoing reviews of our financial and property investment portfolio.

36. Resource Implications – No new resourcing implications have arisen.
37. 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 16 November 2023.
38. 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. Project leads for all CAS projects have been briefed and encouraged to conduct equality assessments whenever project deliverables affect individuals. The depth of the assessment corresponds to the projects have considerable large-scale impacts on people. These assessments will be reviewed quarterly, and Project Leads must indicate their completion as part of Status Report.
39. No new legal, security or climate implications arise from the recommendations in this report.

Conclusion

40. In conclusion, CoLC remains on track to deliver Scopes 1 and 2 net zero and resilience targets. However, this is noted to be reliant on the timely delivery of climate-relevant cyclical works and decisions on major stock changes. The upcoming year is critical to delivery and mitigation of internal risks. 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 - Achievements Q4 (FY23-24, Year 3)
- Appendix 3 - CAS Year 4 Programme Highlights
- Appendix 4 - CAS Delayed Projects
- Appendix 5 - Build Back Better Fund Savings Profile

- Appendix 6 - Net Zero Target Trajectories

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