

Committee	Date
Policy and Resources Committee	17/10/2024
Subject: Annual progress update on Year 3 of Climate Action Strategy, and update on Year 4 Quarters 1 and 2	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	Leading Sustainable Environment, Vibrant Thriving Destination, Flourishing Public Spaces, Providing Excellent Services
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. Year 4 portion approved by Policy and Resources on 11 April 2024 & by CBF Board on 10 July 2024.</i>
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of: Damian Nussbaum, Executive Director of Innovation and Growth and Senior Responsible Officer, Climate Action	For Decision
Report author: Kate Neale, Programme Director, Climate Action	

Summary

In October 2020, the Court of Common Council approved an ambitious Climate Action Strategy (CAS): a transformative programme for the organisation to reach net zero carbon emissions, build resilience and champion sustainable growth.

This paper reports progress against targets to the end of Year 3 (2023/24), noting that we are not on track to meet net zero for our own operations in 2027. This is due to a range of external and internal factors – including lack of national grid decarbonisation and delays to Corporation major projects. Mitigating actions are underway and should bring us back on track, but the risk of not meeting the 2027 target remains high and continued urgency is needed. We are still on track to meet net zero for our full value chain in 2040, supporting the Square Mile to reach net zero by 2040, and building resilience in our buildings and public spaces.

A public annual progress report will be published in October 2024 following the outcome of this committee report.

Recommendations

The Policy and Resources Committee are recommended to:

- i. Note the paper.
- ii. Endorse continued authority to the CAS Senior Responsible Officer for approval of capital expenditure up to £1m outside of the usual Project Procedure (i.e. gateway reporting), and revenue expenditure from the approved Climate Action budget (paragraph 7).
- iii. Endorse mitigating actions to help bring the Corporation back on track to achieve net zero in our own operations by 2027 (paragraphs 23 and 24).
- iv. Approve updated interim targets for 2024/25 and 2025/26, setting out a revised pathway to net zero in March 2027 (paragraph 30).
- v. Endorse the need to collaborate in finding solutions to barriers and challenges in delivery of the Climate Action Strategy.

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 the 8 October 2020 and became operational in April 2021.
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 Service Committees and Policy and Resources Committee receive regular updates on progress and expenditure.
4. The annual programme of work is based on detailed plans for 13 projects across six different departments. These annual plans are approved by Project Boards at operational level, with oversight by relevant Service Committees at Member level. These are reported into Policy and Resources as a summary programme as shown in Appendix 1.
5. Policy and Resources also approves annual budget drawdown against the original envelope for City Fund and City's Estate. The Year 4 (Y4) programme of work and associated budget was approved by this committee on 11 April 2024 for the City Fund and City's Estate. Expenditure related to City Bridge Foundation (CBF) was approved by the CBF Board on 10 July 2024. Across all funds, a total Y4 budget for both capital and revenue of £22.9m was approved under the original budget envelope.
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 are taken through their independent governance arrangements.

7. In July 2021, this committee approved the following delegated authority powers in relation to project delivery to the Senior Responsible Officer of CAS:
 - Review and approval of capital expenditure up to £1m, outside of the usual Project Procedure (i.e. gateway reporting)
 - Approval of revenue expenditure from the approved Climate Action budget

Progress Against Targets

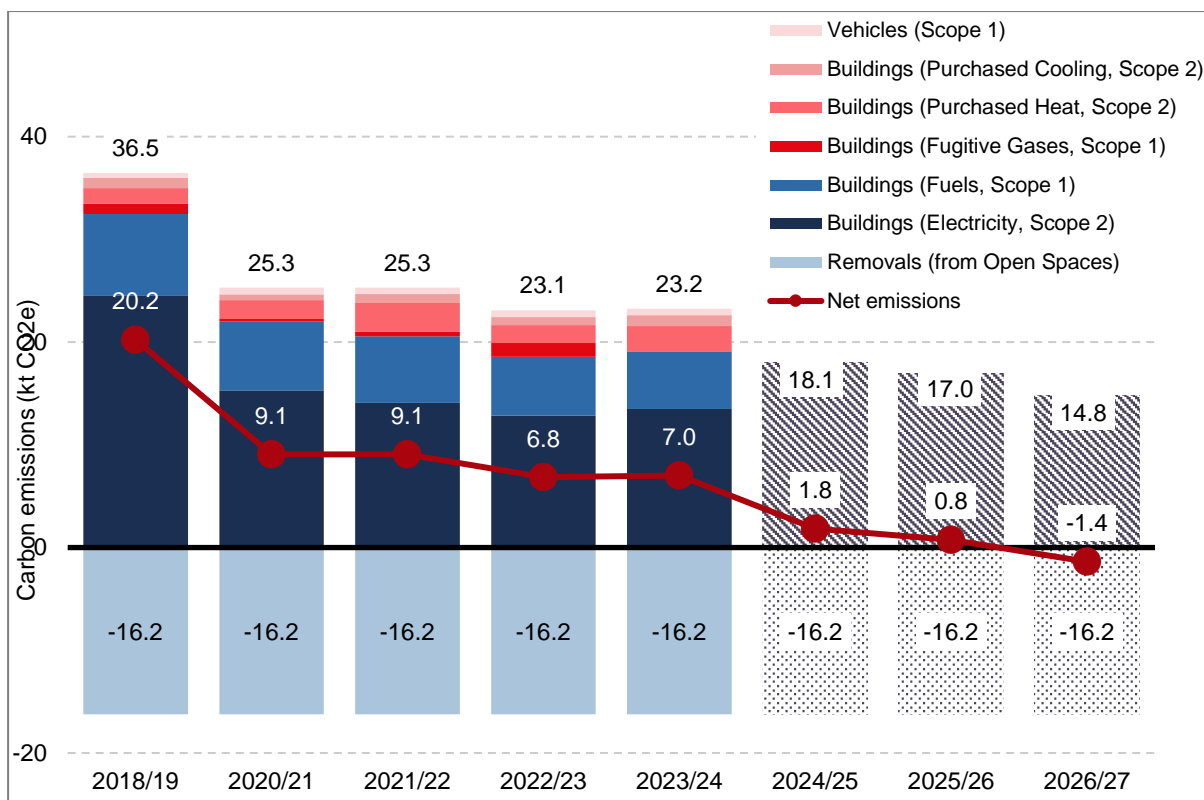
8. The CAS sets out 4 ambitious targets:
 - Achieve net zero in own operations (scopes 1 & 2) by 2027
 - Achieve net zero across the Corporation's full value chain (scopes 1, 2 & 3) by 2040
 - Support net zero in the Square Mile by 2040
 - Build climate resilience in our buildings, public spaces and infrastructure.
9. The public [Climate Action Dashboard](#) provides a comprehensive view of CAS progress, reporting on 62 KPIs detailing progress in all areas of the Strategy. Due to be updated on 17 October.
10. Every year we conduct a thorough emissions assessment, which is independently audited, and assess progress against 2027 and 2040 targets. Performance to the end of Year 2 (2022/23) met targets and we were on track to meet net zero in 2027 and 2040, albeit with some risks from pace of delivery.
11. The following sets out progress to the end of Year 3 (2023/24) against the baseline, unless otherwise stated.
12. A public annual progress report will be published in October 2024, with a subsequent all Members briefing, following the outcome of this committee report.

Target: Achieve net zero in own operations by 2027

13. For the 2027 net zero goal, our 2023/24 net interim target was a reduction of 84% against the 2018/19 baseline. We achieved a 65% reduction on baseline, missing our target by 19%. Figure 1 shows performance to date, indicating how our different emissions sources have changed over time, and sets out our current interim targets on the pathway to net zero.

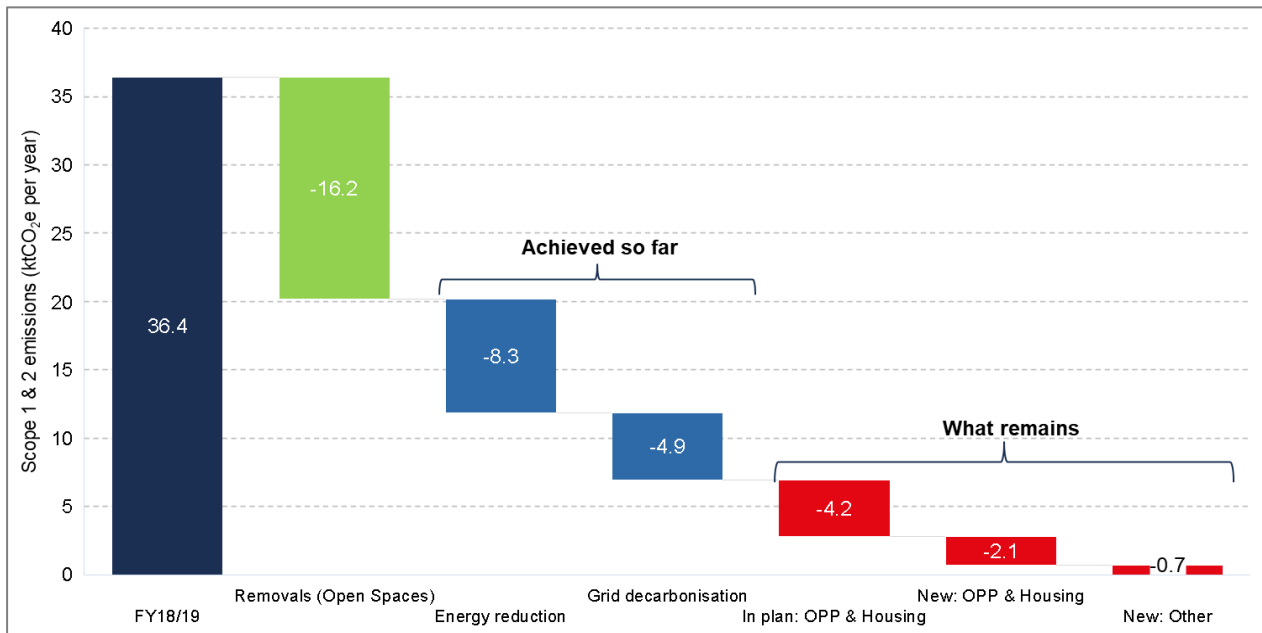
Figure 1: Performance to date and original pathway to net zero for our own

operations by 2027



14. The main cause for missing the 2023/24 target was due to a 7% increase in the carbon factor of National Grid electricity since last year (i.e. less low carbon energy in the electricity mix). This was caused by wars in Ukraine and the Middle East requiring mothballed coal power stations to be brought back online to secure national energy supplies. Compounding this, there has been slower deployment of national renewable generation over the last 5 years than we anticipated – meaning the grid’s carbon factor in 2023/24 was 39% higher than our conservative models predicted in 2021 when the Strategy was developed.
15. In setting our pathway to Net Zero in 2019, major Corporation projects were forecasted to deliver significant emissions reductions in 2024-2027, including Guildhall refurbishment, Barbican Renewal and market co-location. Interim targets were set accordingly. This explains why performance has been meeting interim targets until now, but the delay in these projects means we are now diverging from the originally forecast pathway.
16. We need to reduce our emissions by a further 7ktCO_{2e} by 2027 to reach net zero, as set out in Figure 2. Works currently planned in the Operational Property Portfolio (OPP) and Housing should deliver 4.2ktCO_{2e} of emissions reduction, leaving a further 2.8ktCO_{2e} to be delivered by additional works. If the National Grid decarbonises as expected, and all capital works (planned and additional) are delivered on time, we should reach net zero. If works are not all delivered as planned, or the grid decarbonisation under-performs, we have no buffer and risk missing net zero in 2027. See paragraphs 23 and 24 for details on work planned to address this.

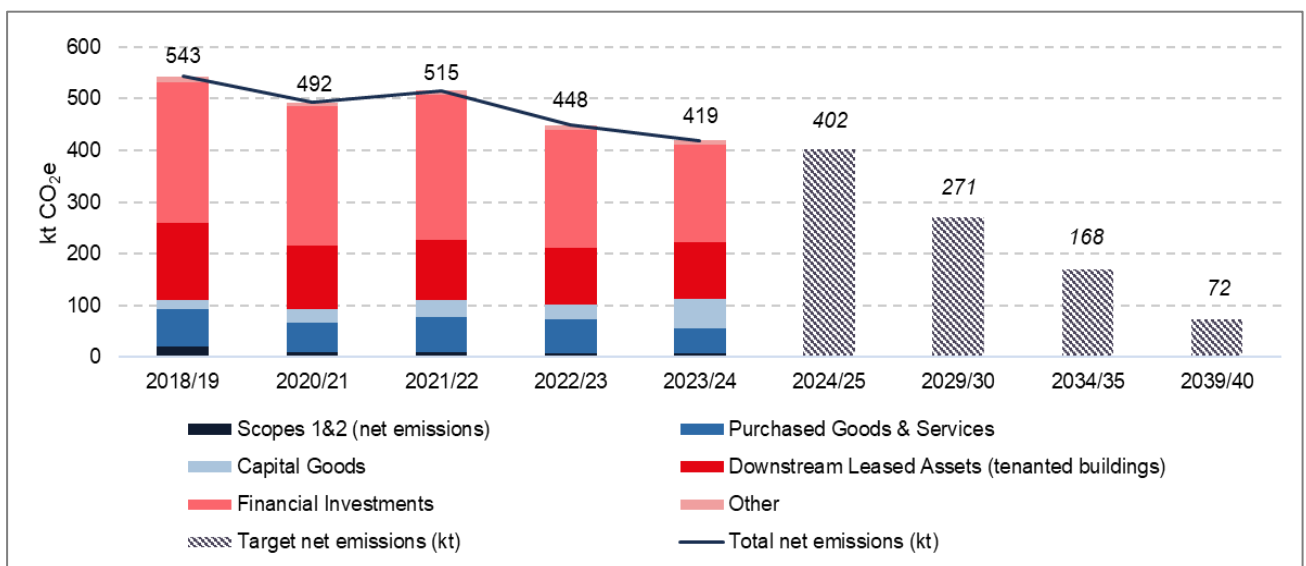
Figure 2: Progress achieved towards net zero in 2027, and how we will deliver remaining emissions reductions



Target: Achieve net zero across the Corporation’s full value chain by 2040

17. For the Corporation’s full value chain 2040 net zero goal, our first interim target is a reduction of 26% by 2024/25 against the 2018/19 baseline. We have achieved a 23% reduction on the baseline, meaning we are currently on track to meet our first interim target next year. Figure 3 shows performance to date, indicating how our different emissions sources have changed over time, and sets out our current interim targets on the pathway to net zero.

Figure 3: Performance to date and pathway to net zero for the Corporation’s value chain by 2040



18. The year-on-year reduction was hampered due to a 97% increase in capital

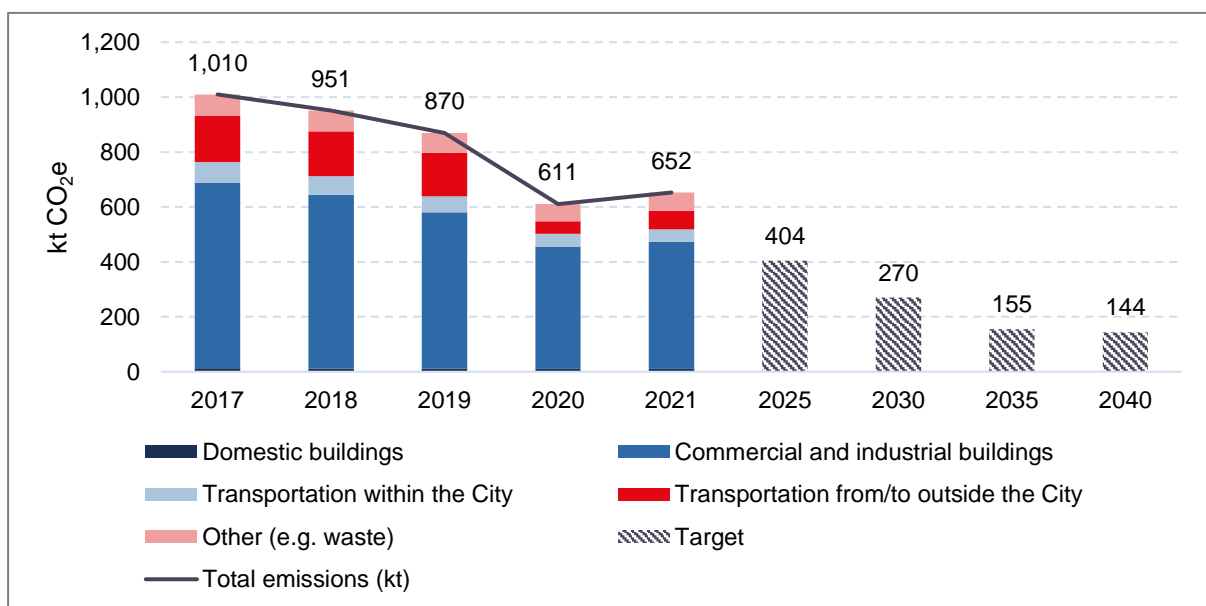
goods emissions (our commissioned building developments and major refurbishments). This includes the construction of several large projects, including the One Salisbury Square Development, and energy efficiency upgrades across our building assets. We expect capital goods emissions to fluctuate year-on-year aligned with construction activities, but should trend downwards as emissions accounting methodologies improve and developments comply with the Net Zero Design Standard. Energy efficiency upgrades deliver carbon savings in Scope 1 and 2 emissions, supporting the 2027 net zero target.

- The most significant contributor to the Corporation’s value chain carbon footprint is emissions from our financial investments, which decreased by 17% year-on-year. This was in part due to divestment from underperforming funds, but it should be noted that as these funds are reinvested elsewhere, emissions might increase.

Target: Support net zero in the Square Mile by 2040

- For the Square Mile 2040 net zero goal, our first interim target is a reduction of 60% by 2025 against the 2017 baseline. The latest data (2021) shows a 35% reduction against the baseline, which is a 7% emissions increase from 2020. Despite this, we are still on track to reach net zero in 2040. Figure 4 shows performance to date, indicating how our different emissions sources have changed over time, and sets out interim targets on the pathway to net zero.
- The principal driver of increasing emissions in 2021 is increased activity after the 2020 COVID-19 lockdown. In particular, emissions from commercial and industrial buildings, and transport outside of the City, increased significantly from 2020. It should be noted that some pandemic restrictions continued through 2021 so we might expect to see even greater emissions from 2022 when this data is available.

Figure 4: Performance to date and pathway to net zero for Square Mile by 2040



Target: Build climate resilience

22. The Corporation is continuing to prepare buildings, infrastructure and open spaces for warmer, wetter winters and hotter, drier summers, responding to six key climate-related risks likely to affect the Square Mile:
- Flooding
 - Overheating
 - Water stress
 - Biodiversity loss
 - Pests and diseases
 - Trade, food and infrastructure

Progress Against Delivery Plans

23. To bring the Corporation back on track to achieve net zero in our own operations by 2027, several mitigation activities have been actioned and are delivering programme momentum:
- Eliminating barriers to speedy works delivery, including smoothing and speeding up access to capital codes.
 - Maximising opportunities for emissions reduction, ensuring the Cyclical Works Programme delivers at pace and prioritises energy-saving works.
 - Improving officer-level programme governance by reshaping and empowering the Project Boards.
24. In order to build in greater buffer to meet net zero and adapt to future unforeseen challenges, it is proposed we create departmental energy reduction targets. These targets will be included in the Corporate Property Asset Management Strategy 2025-30 when it comes for approval by Resource Allocation Sub-Committee in December 2024.
25. We are supporting decarbonisation of the national grid through:
- Our own Power Purchase Agreement (PPA) and facilitating additional multi-offtake PPAs, bringing new renewable energy generation to market.
 - Advocating for green investment in the UK and lobbying government as part of our wider conversations on transition to a low carbon economy.
26. Appendix 2 sets out key actions planned for Year 4 across the CAS, highlighting completed initiatives and those which are delayed.
27. Table 1 summarises the delivery status of the 13 projects delivering Climate Action, against their Year 4 plans:

Table 1: RAG status of CAS projects as of September 2024

Target supported	Projects	Status (Q1 ¹)	Status (Q2 ²)
Net zero by 2027	Buildings - Operational Properties and Housing (Landlord areas)	Amber	Amber
	Carbon Removals and Land Management	Green	Green
Net zero by 2040 (CoLC)	Buildings - Capital Projects (Design Standards)	Amber	Red

¹ Q1 refers to period between 01 April – 30 June 2024

² Q2 refers to period between 01 July – 30 September 2024

	Buildings - Investment Properties	Green	Amber
	Purchased Goods and Services	Green	Green
	Financial Investments	Green	Green
Net zero by 2040 (Sq Mile)	Square Mile	Amber	Amber
	Heart of the City and SME Engagement	Green	Green
	Transport	Green	Amber
Climate Resilience	Buildings - Resilience	Amber	Red
	Cool Streets and Greening	Green	Green
	Mainstreaming Resilience	Green	Green
All	Strategic Implementation Support	Green	Green

28. Projects are rated from Green to Red indicating their progress with Year 4 actions. Progress against actions does not necessarily mean progress against net zero targets.
- Green rated projects are on track to complete actions planned for Year 4.
 - Amber rated projects have one or more actions delayed.
 - Red rated projects have actions meant to be initiated in Year 4 but have not yet started.
29. Projects that are marked as Red receive heightened monitoring at the operational level. Capital Projects and Building Resilience are marked as red due to delays in starting their pilots and trials. They are receiving particular focus and support to bring them back on track. Service areas are being supported to increase momentum with special emphasis on actions relating to the 2027 net zero target.

Change Control

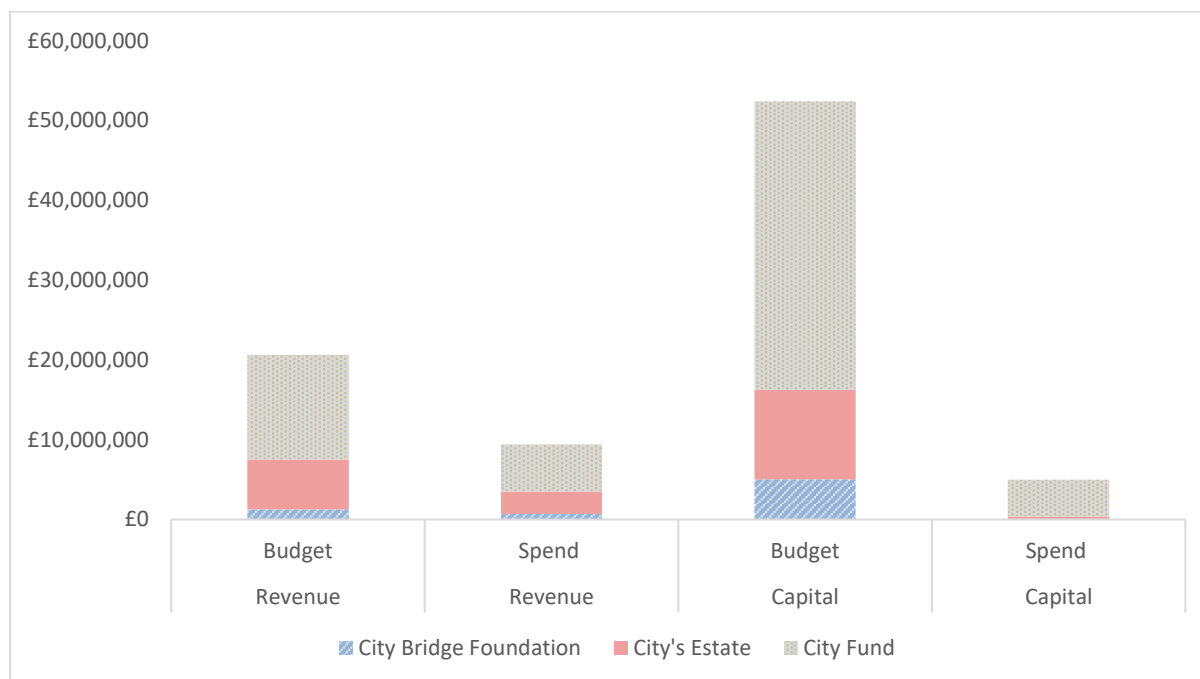
30. It is proposed that we update our interim energy and emissions targets for 2024/25 and 2025/26, refreshing our pathway to net zero to account for performance to date. These proposed new targets are set out in Appendix 3. This requires no additional budget.

Financial Update

31. Figure 5 summarises the financial position of the CAS from inception to March 2024, split by capital and revenue, and by Fund. More detail can be found in Appendix 4.

Figure 5: Total programme budget, and spend to March 2023, split by capital and

revenue and by Fund



32. Just under half of the programme's revenue budget was spent to the end of Year 3, aligning with the CAS being at the halfway point in delivery. However only 10% of the total capital budget for the programme was spent by this point, largely due to:

- Grant funding supporting early delivery of emissions reduction actions (such as the Public Sector Decarbonisation Scheme);
- Early years of the Strategy focusing more on surveys and audits, in order to deploy capital works later in the programme; and
- Delays in appointing sufficient resource to manage and deliver capital works – which have now been resolved.

33. The majority of remaining programme budget is expected to be spent in the next 24 months, deploying the capital works scoped and required to meet net zero and resilience targets, prioritizing works to support net zero in 2027. No additional funds are sought.

34. Table 2 sets out how Year 4's budget of £22.9m is being spent, with actual spend correct to 3 September 2024.

Table 2: Year 4 budget and spend, split by capital and revenue, and by Fund

YEAR 4	Original Budget (£k)				Actual Spend (£k)			
	CBF	CE	CF	Total	CBF	CE	CF	Total
Capital + SRP	2,482	4,041	11,415	17,938	0	378	714	1,092
Revenue	280	1,458	3,238	4,976	50	290	1,017	1,357
Grand Total	2,762	5,499	14,653	22,914	50	668	1,731	2,450

35. A further circa £2.2m has been approved by the SRO for spend in Year 4 (within

the budget) but has not yet been delivered. Remaining spend will be in Quarters 3 and 4 where appropriate.

36. We have identified £579k in savings from the energy bill to sit in the revolving financial mechanism. This will be re-invested in operational energy saving capital works to deliver the CAS targets.

Risk

37. 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 Audit and Risk Management Committee on 8 July 2024, when the risk score for CR30 Climate Action increased from Amber 8 (impact major 4 x likelihood unlikely 2) to Amber 12 (impact major 4 x likelihood possible 3) to reflect the increased risk of not hitting 2027 net zero goal. This will be recalibrated again following this report.
38. A programme level risk log is also updated regularly. All risks marked high in Q1 or Q2 this year are summarised in Appendix 5. A summary of the most pressing delivery risks include:
 - a) Delays in investment in energy efficiency works due to uncertainty over the future of major projects in corporate assets (e.g. Guildhall refurbishment).
 - b) Slower than forecast National Grid decarbonisation meaning additional efficiency works will be required to meet net zero in 2027.
 - c) Slow pace of delivery to scope, procure, approve and deliver sufficient works, in time to realise energy savings in time for 2027 target deadline.

Corporate and Strategic Implications

39. Strategic implications – The CAS supports delivery against four outcomes in the Corporate Plan 2024-29:
 - Leading Sustainable Environment
 - Vibrant Thriving Destination
 - Flourishing Public Spaces
 - Providing Excellent Services
40. The CAS builds upon existing strategies and policies, including: The Responsible Business Strategy 2018-23, the City Procurement Strategy 2020-24, the Local Plan 2015 (and draft City Plan 2040), the Transport Strategy 2018-44, the Air Quality Strategy 2019-24 (and draft 2025-30 Strategy), the Local Flood Risk Management Strategy 2021-27, the Biodiversity Action Plan 2021-26, the Responsible Investment Policy, 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.
41. Risk Implications – To manage the Strategy risk effectively, 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 11 April 2024.

42. Equalities Implications – A Test of Relevance was undertaken on the CAS and several positive impacts were identified for 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 lower fuel poverty. No negative impacts were identified. A mid-year review of the initial Test of Relevance findings was conducted, confirming that the results remain unchanged. Impacts will be investigated and assessed on an ongoing basis in conjunction with the delivery of the CAS programme of work.
43. No new resourcing, legal, or security implications arise from the recommendations in this report. Whilst the CAS focuses on reducing climate risk, the lack of sufficient progress to the 2027 net zero target is a new climate implication.

Conclusion

44. Following assessment and audit of 2023/24 emissions, we are no longer on track to meet net zero for our own operations in 2027. Mitigating actions are in progress and should bring us back on track, but the risk of not meeting the 2027 target remains high and continued attention is needed. We are still on track to meet net zero for our full value chain in 2040, supporting the Square Mile to reach net zero by 2040, and building resilience in our buildings and public spaces.

Appendices

- Appendix 1 – CAS Governance Structure
- Appendix 2 – CAS Year 4 Programme Highlights
- Appendix 3 – Proposed New Interim Energy & Emissions Targets
- Appendix 4 – Financial Analysis
- Appendix 5 – CAS Programme Risk Register

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