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<b>Decision Maker:</b>	<b>EXECUTIVE</b> <b>Pre-decision scrutiny by the Environment &amp; Community Services</b> <b>Policy Development and Scrutiny Committee</b>
<b>Date:</b>	<b>6 September 2022</b> <b>6 October 2022</b>
<b>Decision Type:</b>	Non-Urgent                      Executive                      Non-Key
<b>Title:</b>	<b>Carbon Management Programme Update</b>
<b>Contact Officer:</b>	Lee Gullick, Carbon Programme Manager Tel: 0208 461 7623      E-mail: lee.gullick@bromley.gov.uk
<b>Chief Officer:</b>	Director of Environment & Public Protection
<b>Ward:</b>	All

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## 1. REASON FOR REPORT

- 1.1 This report provides an update on the carbon management programme, with specific reference to:
- The prioritisation of actions within the Carbon Net Zero Action Plan to achieve the revised Net Zero target date of 2027 for Scope 1 and 2 emissions.
  - The motion to reduce the council's Scope 3 procurement emissions

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## 2. RECOMMENDATION(S)

**The Environment & Community Services Policy Development and Scrutiny Committee is asked to review the report and provide their feedback on the recommendations to the Executive.**

**The Executive are asked to:**

- 2.1 Agree to the prioritisation of the four initiatives from the previously agreed Carbon Net Zero Action Plan set out in this report to achieve the delivery of the revised Net Zero target date of 2027.
- 2.2 Approve the recommendation to measure Scope 3 emissions based on service time and contract spend values with the intention of using this data to agree an Action Plan for reducing

emissions and approve the drawdown of £7k from the ringfenced Carbon Neutral Fund for specialist consultancy to support the technical aspects of this work.

## Impact on Vulnerable Adults and Children

1. Summary of Impact: Reducing the impacts of climate change will have a positive impact on the quality of life enjoyed by all members of the community.
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## Transformation Policy

1. Policy Status: Existing Policy New Policy:
2. Making Bromley Even Better Priority:

(4) For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.

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## Financial

1. Cost of proposal: £7k for specialist consultancy
  2. Ongoing costs:
  3. Budget head/performance centre: Carbon Management Team
  4. Total current budget for this head: £150k
  5. Source of funding: Existing revenue budget for staffing costs, energy management software and project expenses. Various internal and external funding options for net zero carbon initiatives.
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## Personnel

1. Number of staff (current and additional): 3 FTE
  2. If from existing staff resources, number of staff hours:
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## Legal

1. Legal Requirement: Non-Statutory - Government Guidance:
  2. Call-in: Applicable
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## Procurement

1. Summary of Procurement Implications: Not applicable
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## Property

1. Summary of Property Implications: Following the outcome of the Operational Property Review, the proposals will seek to bring forward options to reduce building related carbon emissions.
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## Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: The purpose of the recommendations set out in this paper are to reduce both the council's direct and indirect carbon emissions.
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### Customer Impact

1. Estimated number of users or customers (current and projected): The reduction of carbon emissions will benefit all those who live, work or visit the borough.
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable.

### 3. COMMENTARY

#### Background

- 3.1 In June 2019 the UK government set a legally binding net zero target for emissions of greenhouse gases by 2050 including an ambitious climate change target to reduce emissions by 78% (below 1990 levels) by 2035.
- 3.2 On 15<sup>th</sup> July 2019 following a Council motion, the Council unanimously agreed that 'direct Council activities will have net zero emissions within 10 years (2029)'. This motion referred to organisational emissions and applied to the Council's scope 1 and 2<sup>1</sup> emissions only (i.e. those which are directly within the Council's operational control).
- 3.3 On 29<sup>th</sup> January 2020, the Environment and Community Services Policy Development and Scrutiny Committee reviewed and approved a 2029 Net Zero Carbon Strategy, with the Net Zero Carbon Action Plan subsequently reviewed by the same committee on 17<sup>th</sup> November 2020. Progress against the Action Plan is reported annually and published on the Council's website: [Net Zero Action Plan performance reports](#)

#### Achieving Net Zero Organisational Emissions by 2027

- 3.4 At a Full Council meeting on 28<sup>th</sup> February 2022, it was agreed that the Council would revise their target for Net Zero organisational (scope 1 and 2) emissions from 2029 to 2027.
- 3.5 The 2027 Net Zero target specifically relates to Scope 1 and 2 emissions that it has direct control over, of which approximately 96% are generated either by the Council's buildings (49%) or street lighting (47%), hence why the Action Plan focuses on these two areas for reducing energy consumption.
- 3.6 The widely accepted approach to achieving net zero organisational emissions is twofold:
  - (i) Reduce emissions as far as possible (for example through energy efficiency);
  - (ii) Remove residual emissions (for example through offsetting and/or sequestration).
- 3.7 The Council's Net Zero Action Plan comprises of seven initiatives to achieve carbon neutrality. With the revision of the net zero target date from 2029 to 2027, the carbon management team have reviewed the Net Zero Action Plan with a view to achieving this earlier target date. Whilst work will continue to deliver all seven initiatives, it is now recommended that the Council prioritise delivery against four of these initiatives which will have the most significant impact.
- 3.8 It is recommended that the Council prioritises delivery of three initiatives to reduce Scope 1 and 2 emissions:

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<sup>1</sup> The GHG Protocol categorises emissions into three different scopes, which helps define operational boundaries: Scope 1: Direct GHG emissions occurring from sources that are owned or controlled by the organisation, such as the emissions from burning gas to heat a building, and the emissions directly entering the atmosphere from using company vehicles. Scope 2: Electricity indirect GHG emissions produced from the generation of purchased electricity. Scope 3: An optional reporting category that allows for the accounting of other relevant indirect emissions (i.e., emissions resulting from the consequence of an organisation's activities, occurring from sources not owned or controlled by the organisation).

### Initiative 1: LED Street Lighting Upgrades

- 3.9 A phased upgrade of the Council's streetlights is nearing completion; the remaining non-LED lights will be upgraded to LED by 2026, resulting in a potential carbon saving of up to 10% of the Council's total organisational carbon emissions.

### Initiative 2: Buildings (Energy Efficiency)

- 3.10 Projects to reduce emissions through buildings and their energy efficiency will be informed by the recommendations arising out of the forthcoming Operational Property Review and will seek to move towards low carbon energy sources for heating where possible. This work will need to be brought forward to support the revised 2027 target, and work is already underway on some projects, such as the introduction of solar panels at the Civic Centre. These projects have potential to contribute to a potential carbon saving of up to 20% of the Council's total organisational carbon emissions.

### Initiative 3: 100% Renewable Energy

- 3.11 The procurement of 100% renewable energy that allows the Council to credibly report zero emissions for its electricity consumption is the most impactful solution for reducing most of the Council's scope 1 and 2 emissions and is therefore paramount to achieving the 2027 net zero target.
- 3.12 To achieve this, a green energy supply is necessary, and it should demonstrate 'additionality' (i.e. the energy contract should lead to further renewable energy generation). Using a standard green energy tariff does not necessarily do this, although it is a step in the right direction.
- 3.13 Zero energy emissions can be achieved via a Power Purchase Agreement (PPA) in which a customer purchases renewable electricity directly from a renewable energy generator. However, PPAs are more complicated to set up and tend to be for longer contractual periods (e.g. 10-15 years).
- 3.14 The Greater London Authority and London Councils are currently developing a pan-London renewable PPA procurement option that would allow all London boroughs to access renewable energy in such a way as to achieve zero emissions on electricity use. The target date for the launch of this PPA is 2025.
- 3.15 The Council's existing corporate energy contract expires at the end of September 2022, therefore the current plan is to source a new three-year contract to expire in 2025 so that it terminates at the time when the pan-London PPA is due to launch.

- 3.16 It is recommended that the Council also prioritises one initiative to remove residual emissions.

### Initiative 4: Offsetting

- 3.17 In addition to implementing initiatives that reduce energy consumption, the Council will also need to deal with those emissions that cannot be reduced through offsetting, for example through carbon offset credits, or woodlands expansion.
- 3.18 This work is being brought forward with a Woodlands Establishment Board proposes to expand woodland within the borough with four potential sites currently being considered. However, tree planting would provide negligible benefit in terms of carbon sequestration by 2027 due to the very small levels of carbon absorbed by saplings whilst they establish. Hence, tree planting should be treated as an important medium-long term benefit for reducing carbon emissions.

- 3.19 If initiative 3 above is fully actioned the Council would be left with a small amount of carbon to offset, which could easily be achieved through inexpensive carbon offset credits.
- 3.20 Potential renewable generation projects could also be a good option in terms of energy security, minimising exposure to future energy price hikes, reducing the impact of any future energy supply issues, increasing renewable energy generation, and potentially providing a revenue stream. Such projects could also help to reduce total organisational emissions by 20% - this percentage would increase over time as energy consumption from LBB's streetlights and buildings is reduced.

### **Addressing Scope 3 (Procurement) Emissions**

- 3.21 Scope 3 emissions are indirect emissions arising because of the Council's activities, but which occur from sources that are not owned or controlled by the Council.
- 3.22 At Full Council on 11<sup>th</sup> April 2022, the following motion was tabled:

*While the Council welcomes the news that its current target of net zero carbon emissions may be met by 2027, we recognise that further action is required to decarbonise as quickly as possible. Given that the existing target equates to just 1% of emissions in the Borough, this Council now commits to a target of net zero emissions for all other Council activities (Scope 3) by 2035.'*

The motion was altered with the agreement of the meeting to replace 2035 with 2030 in the final line.

It was agreed that the motion be referred for consideration to the Environment and Community Services Policy Development and Scrutiny Committee.

- 3.23 Most of the Council's Scope 3 emissions come from procured services/products that are directly linked to outsourced services (for example, waste management) or the purchase of goods. These emissions exceed the Council's Scope 1 and 2 emissions but are owned by the contractors/suppliers who have control over them, and therefore, they do not form part of the Council's 2027 net zero target.
- 3.24 Officers recommend that further work is undertaken to measure and identify the extent of Scope 3 emissions caused by the Council's activities and that an Action Plan approach is adopted for the reduction in these emissions before members agree to commit to a target date for net zero in relation to these emissions. This is because to set a target date without a deeper understanding of the current level of emissions and the existing plans of our contractors and suppliers to achieve carbon neutrality would place a high level of risk on the Council without any certainty that this target date is achievable.
- 3.25 It is recommended that officers undertake an exercise to measure the Council's procurement emissions based on service type and contract spend values. Measuring procurement emissions is more complicated than calculating Scope 1 and 2 emissions and relies on specialist expertise and carbon accounting tools but is required to establish an accurate and complete baseline and to generate an understanding of the procurement emissions make up. This exercise has not been undertaken to date. Such a measurement would allow the Council to identify emission hotspots, access sustainability performance data in relation to its suppliers, and form the basis for engagement with suppliers in relation to sustainability initiatives. It would help inform a suitable and measured approach for addressing supplier emissions.

- 3.26 Some specialist consultancy work will be required to support an in-depth measurement of these Scope 3 emissions at an estimated cost of £7k, and therefore it is requested that this sum is drawn down from the Carbon Neutral Fund for this purpose.
- 3.27 It should be noted that the Council does already have mechanisms that encourage decision makers to have due regard to the potential to reduce Scope 3 emissions as part of the decision-making process. The gateway report templates for member and officer decisions already includes a section to set out what considerations have been given to Social Value, including environmental and net zero priorities. Net zero policy is also promoted through the Officer Procurement Board which provides support, advice, and guidance to commissioners in the preparation of their procurement strategies.
- 3.28 The Carbon Management, Procurement and Commissioning teams have already begun discussions to assess a suitable approach to incorporate net zero **requirements** within the Council's procurement and contract management processes. Given the wide variety of services and suppliers, and the need to ensure compliance with the UK Procurement Regulations, it is important to ensure that any requirements are proportionate, relevant and lawful; in particular, they should not create barriers for small to medium enterprises (SMEs) or voluntary, community and social enterprises (VCSEs) – the Council recognises that compared to large organisations, SMEs and VCSEs may have less resources available to drive forward net zero ambitions.
- 3.29 Hence, the two main approaches being considered which will form the basis of the proposed Action Plan are:
- Adopting a phased approach to implementing net zero procurement requirements, initially targeting the Council's largest contracts (in terms of spend) and that produce the most of its procurement emissions, and then expand the requirement to smaller value contracts over time if deemed appropriate; or
  - Adopting an all-inclusive approach for all suppliers (including SMEs and VCSEs) but placing the onus on the Council's commissioners and contract managers to consider the applicability and scope of any net zero requirements (based on the type of service and size or organisation) during the tender process.
- 3.30 It is important to note that any new net zero requirements contractually placed on Council suppliers (for example, included as a Key Performance Indicator within the contract) will apply to new contracts arising from new tenders only. Such requirements cannot be retrospectively applied to existing contracts unless agreed with the supplier through a lawful variation; such variations may incur additional unfunded costs as well as needing to comply with UK procurement legislation to avoid risk of challenge. However, officers can work with existing suppliers to monitor existing commitments within current contracts as well as identifying their broader corporate commitments to net zero. Mapping these pre-existing commitments will inform the Action Plan and resulting target date for achieving net zero on Scope 3 emissions.

#### **4. TRANSFORMATION/POLICY IMPLICATIONS**

- 4.1 The actions and proposals in this report primarily deliver against ambition four of the Council's Corporate Strategy (Making Bromley Even Better): 'For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.'
- 4.2 The proposals in this paper also support the delivery of the Transforming Bromley aims:

**Responsible Financial Management Strategy:** reduced future costs to the Council through improved efficiencies and resilience.

**Effective Resident Engagement:** Demonstrates the Council's environmental commitments to the wider public.

**Improving the Public Realm, maintaining our Green Spaces and Promoting Economic Growth:** Safeguarding the environment and promoting a green recovery.

## 5. FINANCIAL CONSIDERATIONS

- 5.1 The final phase of the street lighting LED programme was approved in September 2021 which together with the previous replacement programme are projected to lead to annual energy savings of at least c£0.6m and which are reflected in the Council's financial forecast.
- 5.2 Projects to reduce emissions through buildings and their energy efficiency will be informed by the recommendations arising out of the forthcoming Operational Property Review and subject to appropriate business case appraisals.
- 6.3 The Executive recently authorised officers to proceed to award electricity and gas contracts from September 2022 at significantly increased estimated annual cost of £5.1m for renewable energy, or £4.9m for non-renewable sourced energy.
- 6.4 Further initiatives to achieve the Council's net zero target will be continued to be assessed through a detailed business case process, taking into account available funding and revenue budget savings alongside the impact on the Council's net carbon emissions.
- 6.5 The financial impact of the Council moving towards net zero for Scope 3 emissions is not possible to estimate as these impacts will mostly be indirectly and reflected through future contract prices.
- 6.7 The report recommends that specialist consultancy is engaged to support the work to measure Scope 3 emissions. The cost of this is £7k and Executive are asked to approve funding is drawn down from the Carbon Neutral Fund.

<b>Non-Applicable Headings:</b>	IT and GDPR Considerations, Procurement Considerations, Personnel Considerations, Legal Considerations, Ward Councillor Views
Background Documents: (Access via Contact Officer)	<b>ES19094</b> - 2029 Net Zero Carbon Strategy <b>ES20047</b> – Net Zero Carbon Action Plan <a href="#">Net Zero Action Plan Reports</a> <a href="#">Bromley Council's GHG Emissions Reporting</a>