

Committee(s): Policy and Resources Committee	Dated: 16/01/2025
Subject: Future Direction of the Climate Action Strategy (CAS) Post-2027	Public Report: For Decision
This proposal: <ul style="list-style-type: none"> Delivers Corporate Plan 2024-29 outcomes 	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
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, by 2040.

The original budget envelope of £68m runs until March 2027. Officers now need to work up options for CAS's future for Members to consider later in the year. This paper sets out three approaches to this scoping work. This is based on a review of the existing programme, stakeholder engagement and comparator analysis. This paper recommends taking a 'Proactive Leadership' approach (option one), which enhances the current strategy to continue a leadership position and maximise value; bringing nature recovery, biodiversity and circular economy into an ambitious Climate Transition Plan. By choosing option one, Members will have the full set of options later in the year, with the flexibility and information to subsequently tailor and scale back the strategy as desired.

Following this Committee's approval of a preferred strategic direction, detailed scoping, budget estimation and value assessment will be brought back to Committee in autumn 2025 for debate and decision.

Recommendation(s)

Members are asked to:

- Determine the intended strategic direction of the next phase of the Climate Action Strategy, to enable detailed scoping to progress which will inform a subsequent Committee decision on the approach. It is recommended that Members approve option one, which is to scope an enhancement to the current approach to bring nature recovery, biodiversity and circular economy into a robust Climate Transition Plan, maximising value and returns.
- Instruct officers from Innovation and Growth and Chamberlain's to work together on including budget for the CAS beyond March 2027 in the Medium-Term Financial Plan (MTFP), which will be subject to further Member scrutiny and decision.

Main Report

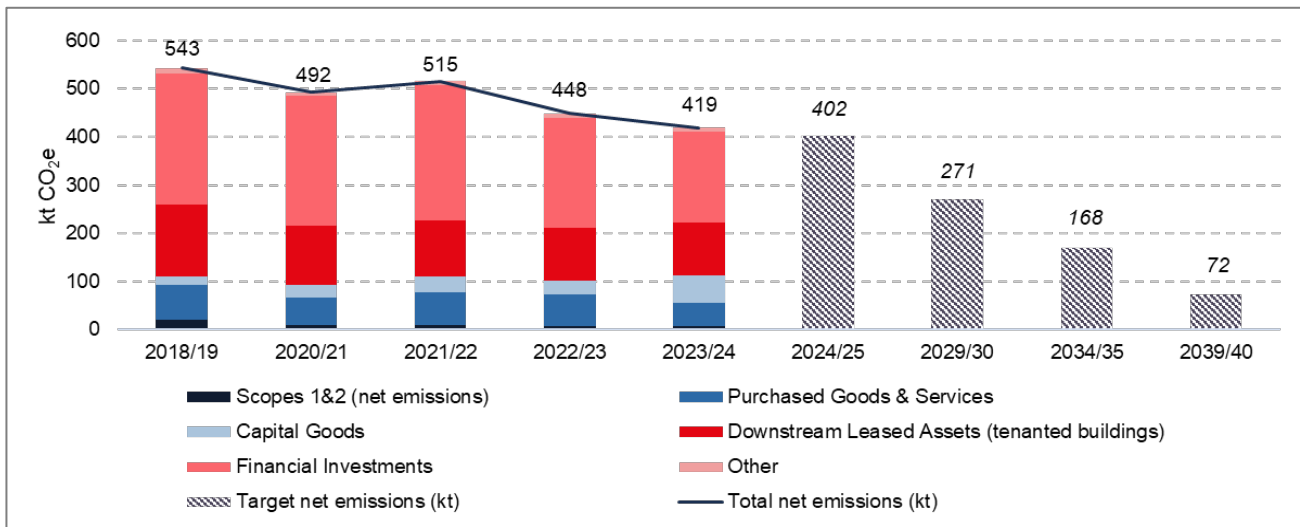
Background

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 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, with each year's budget 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 CAS sets out 4 ambitious targets:
 - Achieve net zero in the Corporation's 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.
5. Performance against these targets is assessed annually, independently audited and reported to this Committee. The latest [progress update](#) to this Committee was on 17 October 2024 (please see background papers), and subsequently a public [Progress Report](#) was published.
6. In addition, the public [Climate Action Dashboard](#) provides a comprehensive view of CAS progress, reporting on 66 KPIs detailing progress in all areas of the Strategy.

Current Position

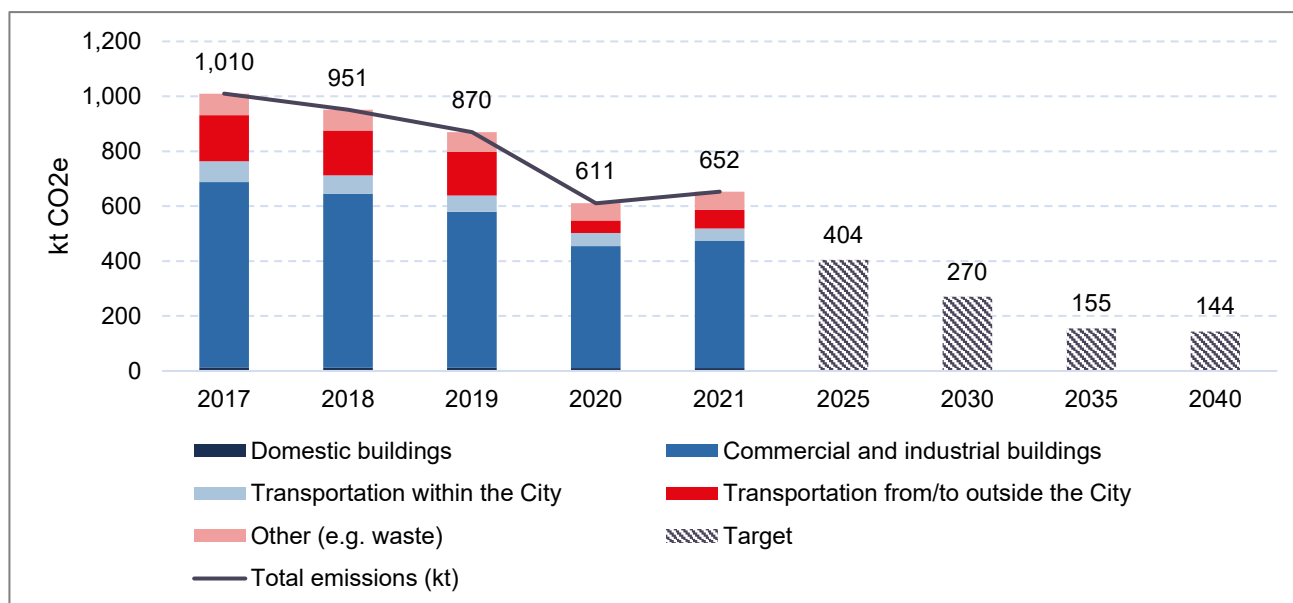
7. As of March 2024, we achieved a 65% reduction in net emissions against the 2018/19 baseline, on the journey towards net zero for the Corporation's operations by 2027.
8. We have achieved a 23% reduction in net emissions for the Corporation's full value chain 2040 net zero goal, and remain on track to achieve this target. Figure 1 shows performance to date, indicating how our different emissions sources have changed over time, and sets out current interim targets on the pathway to net zero.

Figure 1: Performance to date and current pathway to net zero for the Corporation's value chain by 2040



9. For the Square Mile 2040 net zero goal, the latest data (2021) shows a 35% reduction against the baseline. Despite the year-on-year increase due to recovery from the pandemic, we are still on track to reach net zero in 2040. Figure 2 shows performance to date, indicating how our different emissions sources have changed over time, and sets out current interim targets on the pathway to net zero.

Figure 2: Performance to date and current pathway to net zero by 2040 for the Square Mile



10. Just under half of the programme’s revenue budget was spent to the end of Year 3 (2023/24), aligning with the CAS being at the halfway point in delivery. Only 10% of the total capital budget for the programme was spent by this point, largely due to:
 - a) Over £11m of additional grant funding supported early delivery of emissions reduction actions (including the Public Sector Decarbonisation Scheme);
 - b) Early years of the Strategy focusing more on surveys and audits, to deploy capital works later in the programme; and
 - c) Delays in appointing sufficient resource to manage and deliver capital works – which have now been resolved.
11. The remaining programme budget is expected to be spent in Years 4-6 (April 2024 to March 2027), deploying the capital works scoped and required to meet net zero and resilience targets. Works supporting the 2027 net zero target are being prioritised and capital budget will be reallocated across projects to ensure best use of funds and return on investment. No additional funds are sought for delivery before March 2027.
12. The CAS is now at a critical juncture, requiring strategic decisions on its future direction, and funding, post-2027.
13. At present there are no specific allocations in the MTFP for CAS beyond 2026/27. Proposals will need to be considered against other competing demands, so will be clear on potential revenue benefits, returns and value creation to support the case for funding.

Learnings from CAS

14. In reviewing the first phase of the CAS in order to improve future delivery, the following learnings have been identified:
 - a) The CAS was originally groundbreaking, positioning us as leaders in climate action. However others have since caught up, as set out in [Appendix 1](#), so we

need to innovate to stay competitive.

- b) The CAS has made significant progress against ambitious targets. However external challenges, such as increased carbon emissions from the UK National Grid, have compounded optimism bias on what would get delivered.
- c) Officer expertise has improved, but climate action is still often seen as an additional cost rather than integrated business practice. A strong data-led approach should inform better integration but requires better data consolidation and resolution.

Key Assumptions and Principles

15. Stakeholder engagement and competitor analysis have informed the following assumptions underlying all options for the future strategic direction of the CAS:
- a) **Primary objectives:** The three interlinked primary objectives of the CAS remain valid and appropriate to the Corporate Plan:
 - i. to support the achievement of net zero emissions,
 - ii. to build resilience, and
 - iii. to champion sustainable growth.
 - b) **Long-term approach:** Climate change is a long-term challenge requiring a long-term strategic approach. We should therefore keep our 2040 targets.
 - c) **Net Zero by 2027:** Notwithstanding the challenges to this target set out in a paper to this Committee in October 2024, this paper assumes that we will be net zero for our own operations by 2027.
 - d) **Refresh and rescope:** The strategy must adapt to the changing organisation and external environment, and so pathways to net zero in 2040 and resilience should be reassessed.
 - e) **Financial prudence:** Financial constraints are materially tighter than in 2020 when the CAS was adopted, and so we must be prudent and maximise alternative funding sources.
 - f) **Central funding and coordination:** Centrally coordinated, multi-year funding ensures appropriate governance, flexibility and effective control of complex projects. Central coordination prevents siloed working, duplication of effort and inefficiencies.
 - g) **Regulatory horizon:** While no direct statutory requirements currently exist, future climate regulations (on reporting, emissions reduction and resilience) are likely to affect the Corporation by 2040.
 - h) **Risk management:** Closing the CAS carries unacceptable risks to the Corporation's reputation, finances, legal compliance and climate resilience, and therefore this is not presented as an option.

Options

16. Noting the assumptions set out in paragraph 15, the following options for the future strategic direction of the CAS are presented to the Committee for consideration.
17. Indicative annual budgets are highly estimated, and do not necessarily reflect costs to the Corporation. It is likely that a portion of this could be funded by third parties – although it should be noted that the more the Corporation invests, the more likely we are to be able to leverage grants, loans and private sector investment.

Option 1: Proactive Leadership (recommended)

18. This option enhances the current approach by investing to reclaim a leadership position and maximise value. By bringing nature recovery, biodiversity and circular economy into a Climate Transition Plan, this option emphasises innovation and maximises environmental, social, and economic benefits. It aims to build strategic partnerships, influence best practice, and promote knowledge transfer for sustained success. Taking this approach would present a low risk of not meeting the 2040 targets.

Scope:	Comprehensive climate strategy, encompassing net zero and resilience, biodiversity and nature recovery, and circular economy.
Indicative annual budget:	£18-22m / year
Value creation:	<ul style="list-style-type: none"> • Ability to leverage greater inward investment and financing. • Increased asset value and shorter void periods of super prime 'climate ready' property. • Maximise opportunities to grow climate-aligned income from financial investments. • Ability to better balance the needs of ecosystem services to ensure best value outcomes for nature, whilst keeping focus on CAS objectives. • Longer payback periods accepted to enable greater value impact on the Corporation and wider community.
Risk:	Increased operational cost but highly managed long-term risk.
Potential initiatives:	<ul style="list-style-type: none"> • Investment in Housing to support both decarbonisation and tackle fuel poverty. • Strong decisive approach to supplier and fund manager decarbonisation. • A leadership approach to delivering the City's Local Area Energy Plan through partnerships. • Resilience expands focus following London Climate Resilience Review.

Option 2: Active Engagement (not recommended)

19. This option continues the current approach but integrates biodiversity and circular economy to enhance carbon and resilience performance. It emphasises stakeholder engagement, balanced investment with value optimisation, and knowledge sharing, to ensure long-term growth and climate adaptation.

Scope:	Include biodiversity and circular economy within net zero and climate resilience objectives
Indicative annual budget:	£11-15m / year
Value creation:	<ul style="list-style-type: none"> • Some inward investment and financing attracted. • Derisking financial and property investments to maintain asset value. • Average payback periods require prioritisation of some measures to deliver limited value.
Risk:	<ul style="list-style-type: none"> • Medium risk of missing long-term targets whilst reducing risk of long-term costs. • Focus on asset value maintenance might miss growth opportunities. • The integration of biodiversity and circular economy for climate goals might dilute focus in these areas where works do not strictly benefit net zero or resilience.
Potential initiatives:	<ul style="list-style-type: none"> • Some targeted investment in Housing to support decarbonisation through fabric-first approach. • Partnership working to support suppliers and fund managers, incentivising decarbonising behaviours. • Supportive approach to enabling the City's Local Area Energy Plan, focussed on heat networks. • Resilience continues to focus on buildings, infrastructure and public spaces.

Option 3: Passive Support (not recommended)

20. This option steps back from the current approach, focusing on essential maintenance and compliance only. Core progress is maintained through cost-effective delivery approaches and ruthless prioritisation. It includes only basic stakeholder communication and offers limited co-benefits. Taking this approach would present a high risk that 2040 targets would not be met.

Scope:	Net zero and climate resilience focus only
Indicative annual budget:	£6-8m / year
Value creation:	<ul style="list-style-type: none"> • Short term cost savings from significantly

	reduced revenue and capital investment.
Risk:	<ul style="list-style-type: none"> • High risk of missing long-term targets and cost of missed opportunity. • Greater long-term climate risk, with increased costs and missed opportunity cost. • Inability to leverage inward investment and external funding due to lack of ambition, delivery and Corporation financial commitment. • Insufficient investment in CAS risks the City's international standing and competitiveness, when positioning as a centre for transition finance.
Potential initiatives:	<ul style="list-style-type: none"> • Limited Housing investment. • Strong reliance on delivery of third parties in supply chain and investments. • Follow heat network regulation only, taking no proactive stance. • Resilience is limited, relying on external funding and grants only.

21. A comparator summary of options is presented in [Appendix 2](#).

Next Steps and Recommendation

22. The next step will include detailed scoping of the preferred option, to include:

- Remapping pathways to 2040 targets based on latest available data and guidance
- Scoping of initiatives, costs and value generated
- Budgets and funding sources
- Programme structure
- Governance

23. The following sets out the resource implications of scoping the different options:

Option	Cost to undertake detailed scoping
1: Proactive Leadership (recommended)	£350-400k
2: Active Engagement	£250-300k
3: Passive Support	£150-200k

24. The Year 4 budget for CAS, approved by this Committee on 11 April 2024, includes sufficient allowance to scope option one. No additional funds are sought.

25. It is recommended that the detailed scoping exercise is undertaken for option one, to provide Members with the information and flexibility to scale this back if desired. It would be costly and duplicative if scoping was undertaken for other options and Members later decided to expand the scope.

26. It is proposed that officers from Innovation and Growth and Chamberlain's work together to include future funding for the Climate Action Strategy in the MTFP. A report can then be brought to Resource Allocation Sub-Committee in summer 2025, and Policy and Resources Committee in autumn 2025, presenting the detailed scoping of the preferred option and allowing Members further review and consideration. The inclusion in the MTFP could then be refined.

Corporate and Strategic Implications

27. 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
28. 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 (and draft second edition), 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.
29. Risk Implications – Risks are controlled through a corporation level risk CR30 – Climate Action, which will be updated in 2025 following decision on the strategic direction of CAS. Currently included in CR30 are 8 live actions:
- Impact on City financial & professional services sector and ability to champion sustainable growth if not hitting net zero target / maintaining climate resilience.
 - Risk of not hitting net zero and resilience targets for City Corporation operational and investment assets, while maximising returns.
 - Risk of not hitting net zero targets for financial investments and supply chain.
 - Resilience risks of Square Mile infrastructure and public realm, and risk of not hitting net zero targets for developments and transport.
 - Reaching carbon removal targets through open spaces.
 - Delivery delays and failures due to stakeholder / public action / inaction.
 - Protecting vulnerable groups who are most likely to be impacted by climate change and fulfilling Public Sector Equalities Duty.
 - That the scope, budget, timescales and/or commitments of the climate action strategy are not delivered upon through the climate action programme of work.
30. 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.

31. No new resourcing, legal, or security implications arise from the recommendations in this report.

Conclusion

32. The CAS set out to be an ambitious strategy, designed to address critical challenges and maximise opportunities. As the current funding for the CAS is set to end in March 2027, now is an opportune time to establish the strategic intent for its future delivery. option one is recommended for detailed scoping, as it offers the flexibility to scale back if necessary, unlike other options which cannot be easily scaled up later. Detailed scoping of the preferred option will follow and will be presented to Members later in 2025, enabling a discussion and decision on the optimal way forward for the CAS.

Appendices

- Appendix 1: Competitor Analysis
- Appendix 2: Comparator Summary of Options

Background Papers

- Annual progress update on Year 3 of Climate Action Strategy, and update on Year 4 Quarters 1 and 2 – Policy and Resources Committee – 17 October 2024

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