

<b>Committee(s):</b> Finance Committee	<b>Date(s):</b> 04 June 2025
<b>Subject:</b> Climate Action Strategy Finance update to end of Year 4 (2024/2025).	<b>Public Report:</b> For Information
<b>This proposal:</b> <ul style="list-style-type: none"> <li>Delivers Corporate Plan 2024-29 outcomes</li> </ul>	Leading Sustainable Environment, Flourishing Public Spaces, Providing Excellent Services
<b>Does this proposal require extra revenue and/or capital spending?</b>	No
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	<i>Original budget envelope for CAS approved by Court upon adoption. Year 5 drawdown approved by Policy and Resources on 08 May 2025. CBF portion is approved by CBF Board separately.</i>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	Yes
<b>Report of:</b>	Damian Nussbaum, Executive Director of Innovation and Growth and Senior Responsible Officer, Climate Action
<b>Report author:</b>	Kate Neale, Programme Director, Climate Action

### Summary

In October 2020, the Court of Common Council approved an ambitious Climate Action Strategy (CAS). The Strategy aims to support the achievement of net zero, build climate resilience and champion sustainable growth.

CAS has a £68m budget for implementation from April 2021 through to March 2027. As of March 2025, 59% of the revenue budget and 16% of the capital budget has been spent, with a further £11m leveraged in grant funding. The remainder is expected to be spent by March 2027. Continued focus is needed on speedy financial scoping and approvals for work to be delivered as needed, prioritising activities supporting the 2027 net zero target.

The CAS is delivering long-term value to the City Corporation, maintaining asset value and reputation. Investment in the operational estate to date has already resulted in over £32m in avoided energy costs.

Progress against targets to the end of Year 3, 2023/24 (latest available data), shows we are not on track to meet net zero for our own operations in 2027 due to lack of national grid decarbonisation and changing timelines of Corporation major projects. The underspend to date has left us in a strong financial position to recover from exogenous factors and deliver additional works within the same budget envelope.

We are 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.

## **Recommendations**

Members are asked to note the report.

## **Main Report**

### **Background**

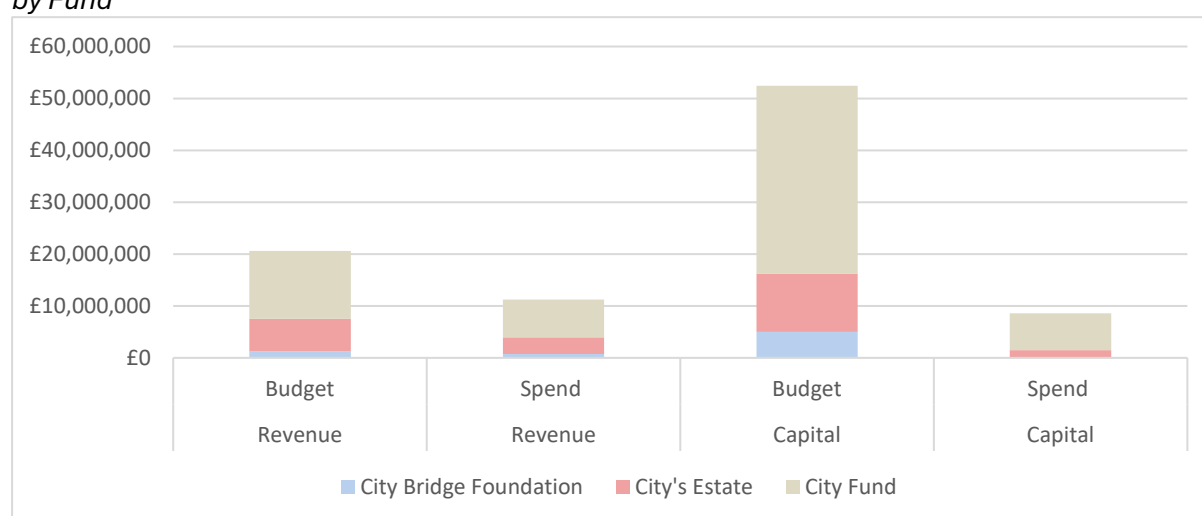
1. Starting November 2024, the Finance Committee is updated twice a year on expenditure and progress against the Climate Action Strategy programme budget.
2. The City Corporation's ambitious CAS was adopted at Court of Common Council on the 8 October 2020 and became operational in April 2021.
3. The CAS marked the start of a new and transformative programme of action ensuring the City of London is Responsible, Sustainable and Competitive. It set out three interlinked 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.
4. These objectives were tied to ambitious timescales and the City Corporation committed to 4 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.
5. Policy and Resources Committee approved an original funding envelope of £68m to deliver the Strategy up to March 2027. Policy and Resources approves annual budget drawdown against the original envelope for City Fund and City's Estate, approving a Year 5 (FY25/26) budget on 08 May 2025 for City Fund and City's Estate of £26.2m (£29m including CBF).
6. For the initial years, City Fund and City's Estate drawdowns are from central reserves. In later years towards 2027, annual budgets are partly funded by savings to the Corporation's energy bill. A revolving mechanism is in place, capturing savings from the capital interventions from CAS projects, detailed in paragraph 20.
7. 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.

## Financial Update

8. Figure 1 summarises the financial position of the CAS from April 2021 to March 2025 (Years 1 – 4), split by capital and revenue, and by Fund. This is presented alongside the total programme budget (April 2021-March 2027, Years 1 – 6). More detail can be found in Appendix 1.

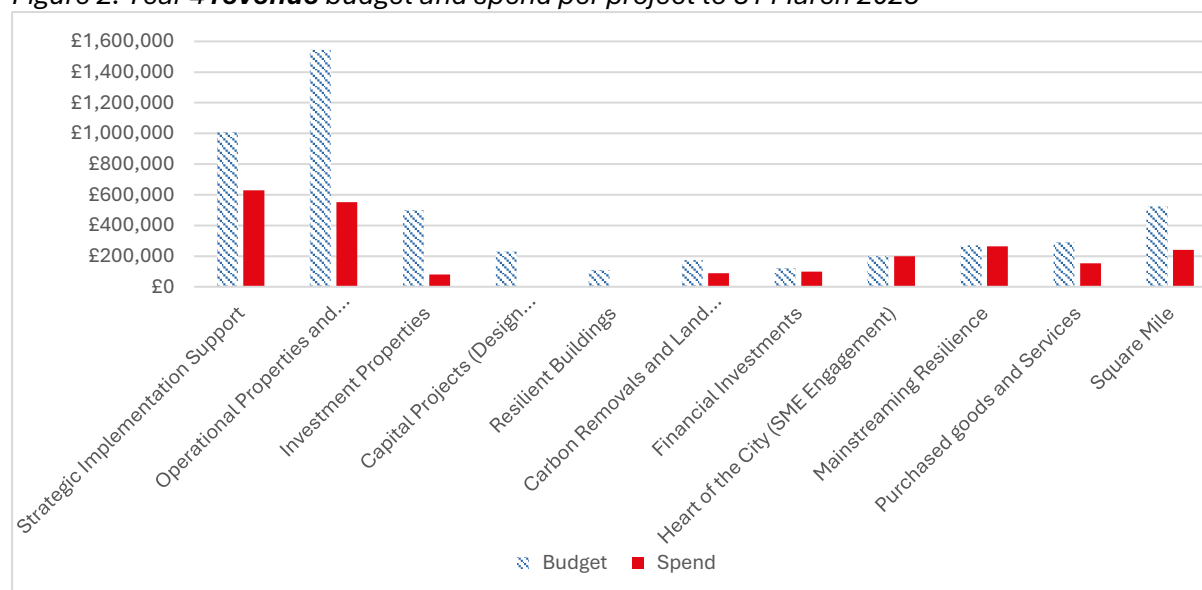
*Figure 1: Total programme budget, and spend to March 2025, split by capital and revenue, and by Fund*



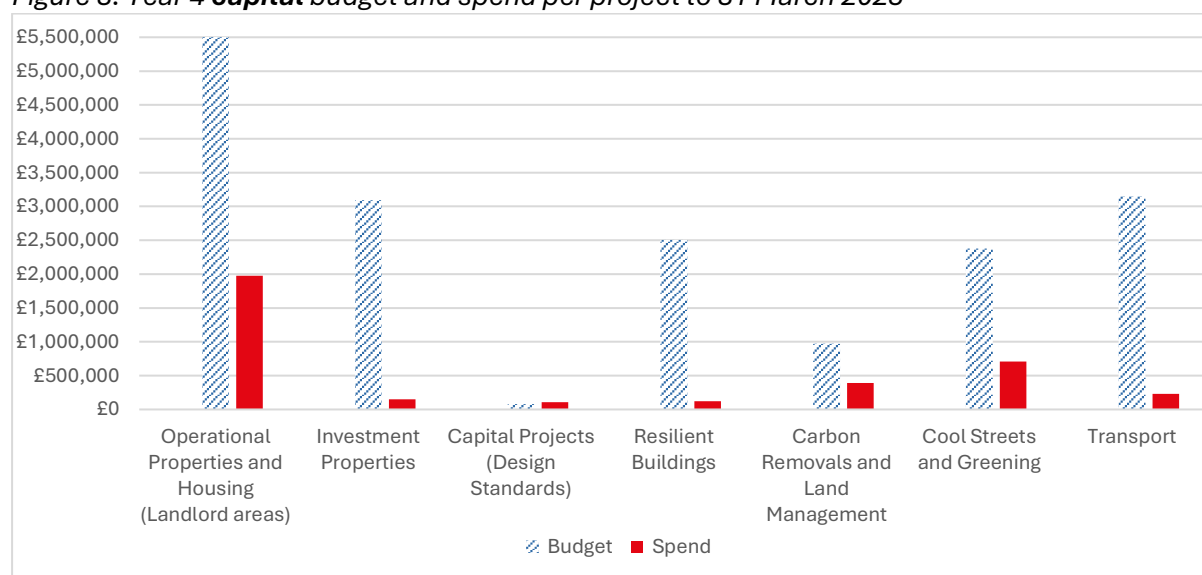
9. To the end of FY24/25 (Year 4), 27% of the total programme budget has been spent. Taking into account a further £2 million committed spend (spend approved but not yet delivered) and £11 million leveraged in grant funding, the spend profile tracks at 45%. This demonstrates effective use of funds and ability to attract external investment.
10. To the end of FY24/25 (Year 4), 59% of the programme's revenue budget has been spent. Revenue has been re-prioritised to deliver the most impact before 2027, and set up the programme for long term success.
11. To the end of FY24/25 (Year 4), 16% of the programme's capital budget has been spent. The speed of capital delivery is accelerating, as expected:
  - a) Grant funding supported early delivery of emissions reduction actions (such as the Public Sector Decarbonisation Scheme);
  - b) Early years of the Strategy focused more on surveys and audits, in order to deploy capital works later in the programme; and
  - c) Delays in appointing sufficient resource to manage and deliver capital works have been resolved.
12. The FY24/25 (Year 4) budget was £22.6m. Figures 2 and 3 set out the Year 4 budget

and spend, split by revenue and capital, and by project. Actual spend is correct to 31 March 2025. More detail can be found in Appendix 1.

**Figure 2: Year 4 *revenue* budget and spend per project to 31 March 2025**



**Figure 3: Year 4 *capital* budget and spend per project to 31 March 2025**



13. The Year 4 underspend reflects a lag in seeing the full impact of mitigating actions following earlier delays. The underspend has been reprofiled into the Years 5 and 6 budgets (FY25/26 and FY26/27) for continued delivery.
14. The programme budget is expected to be fully utilised by March 2027. A significant portion of the remaining budget is expected to be spent in the next 12 months deploying capital works across net zero and resilience targets, prioritising works to support net zero by 2027. More detail on planned expenditure in FY25/26 and FY26/27 (Years 5 and 6) can be found in Appendix 1. No additional funds are sought at this time.

## Strategic progress and long-term value

15. CAS delivers long-term value to the City Corporation both financially and reputationally. Figure 4 details financial savings to date. The clearest returns seen across the operational estate, with further details in paragraph 20. Work is ongoing to quantify savings in other areas.

*Figure 4: CAS project spend and savings generated in Years 1- 4, against total programme allocation*

Project Name	Total Programme Allocation	Spend to 31 March 2025	Saving / avoided cost generated to date
Strategy Implementation Support	£5,032,069	£2,617,602	
<b>Net zero for CoLC operations by 2027</b>			
Operational Properties & Housing (Landlord areas)	£24,652,796	£5,048,770	£32,483,000
Carbon Removals & Land Management	£2,324,642	£823,736	
<b>Net zero for full CoLC value chain by 2040</b>			
Investment Properties	£12,552,580	£1,684,428	£15,697,600 (to tenants)
Capital Projects (Design Standards)	£1,144,918	£682,461	
Financial Investments	£651,434	£414,793	
Purchased Goods & Services	£1,120,000	£566,629	
<b>Net zero for Square Mile by 2040</b>			
Square Mile	£3,919,775	£917,961	
Transport	£5,921,257	£1,903,785	
Heart of the City & SMEs	£800,000	£800,000	
<b>Climate Resilience</b>			
Cool Streets & Greening	£8,347,593	£2,905,643	
Mainstreaming Climate Resilience	£726,686	£737,312	
Buildings Resilience	£6,379,610	£675,220	
<b>CAS Programme Total</b>	<b>£73,573,360</b>	<b>£19,778,339</b>	

Note these include capital budget from CBF (subject to approval), which is outside of the original budget envelope of £68m.

16. The public [Climate Action Dashboard](#) provides a comprehensive view of CAS progress, reporting on 69 KPIs detailing progress in all areas of the Strategy. This was last updated on 11 April 2025.
17. Every year we conduct a thorough emissions assessment, which is independently audited, and assess progress against 2027 and 2040 targets. The latest available data shows performance to the end of Year 3 (2023/24), which was presented to this committee in November 2024. A comprehensive emissions accounting exercise for Year 4 (2024/25) will soon be completed across all net zero targets. Results will be presented to this committee in autumn 2025, with commentary on progress towards targets.

Target: Achieve net zero in own operations by 2027

18. In 2023/24, we achieved a 65% reduction in operational emissions against the 2018/19 baseline, falling short of the 84% interim target. The shortfall was due to slower-than-expected decarbonisation of the National Grid, and delays to major projects (such as Guildhall refurbishment and Barbican Renewal) which had been forecast to deliver significant emissions savings.
19. We have already delivered 136% of our original modelled energy reduction pathway, under budget. This headroom is essential, as we now need to go further to compensate for lack of decarbonisation at the National Grid.
20. The Operational Portfolio has seen 32.5 million kWh energy savings since 2018/19. These improvements have generated over £565k in real savings, which is being reinvested through a revolving financial mechanism to fund further energy efficiency capital works to deliver CAS targets. Actual savings are significantly lower than originally forecast due to rising energy prices. However, efficiency measures have secured over £32m in avoided energy costs over the past 4 years, at a cost of £5m to the Corporation (plus £10m of grant funding). Notably, the value of avoided costs will increase as energy prices rise.
21. If the National Grid decarbonises as per revised forecasts up to 2027, and all planned capital works 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. If this happens, we would be likely to meet the target in 2028.

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

22. In 2023/24 we achieved a 23% reduction in value chain emissions from the 2018/19 baseline, keeping us on track to meet our first interim target of a 26% reduction by 2024/25, whilst under budget.
23. Financial investments are the largest source of value chain carbon emissions. Since the baseline, this category has achieved a reduction of 82,628 tCO<sub>2</sub>e, with all funds demonstrating clear emission reductions, whilst maintaining returns. This has partly been driven by divestment in order to meet various priorities across the City's funds. However, reinvestment of these funds will likely see emissions increase.
24. In 2024/25, new climate scenario analysis provided updated understanding of climate risks in each financial investment portfolio, identifying medium-term risks to returns in multiple climate scenarios. This will support more informed decision-making and help mitigate the risk of long-term financial losses or stranded assets.

Target: Support net zero in the Square Mile by 2040

25. The 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. We are on track to reach net zero in the Square Mile by 2040, whilst under budget.
26. In 2024/25 our Planning for Sustainability Supplementary Planning Document (SPD) was adopted, guiding developers on integrating the City Corporation's

sustainability policies into planning designs and applications. Since 2021, we've been working collaboratively with developers on sustainable design solutions, including retrofitting, and have seen a rise in retrofitting in major planning applications from 8% to 54%. With the formal adoption of the Planning for Sustainability SPD, we expect this positive trend to accelerate.

Target: Build climate resilience

27. The City 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

28. Streets with greening have been recorded with temperatures up to 6°C cooler than streets without greening – providing evidence that this approach is delivering the heat resilience intended.

**Risk**

29. The Corporate Risk Register recognises the risks posed to the Corporation and City from climate change, including both physical risk from more extreme weather events, and the risks associated with a transition to a low-carbon economy. Mitigating actions are primarily addressed by the Climate Action Strategy, and supported by other areas of work in sustainable finance. This risk was recently updated to move away from programme-level risks (which are separately managed) and better account for the full risk posed by a changing climate. The current risk rating remains the same at Amber 12 (4 major x 3 possible). The target risk score has changed from Green 4 (4 major x 1 rare) to Amber 6 (2 serious x 3 possible) to reflect the fact that climate change is inevitable and impacts cannot be entirely mitigated.

30. A programme level risk log is updated regularly. The most pressing delivery risks include:

- a) The deadline for completing energy efficiency works impacting the 2027 target measurement is March 2026, to allow for time to see the benefits of works in energy consumption data. This timeframe is quickly narrowing, leaving no room for project slippage. Any delays to planning, procurement or site access will hamper our ability to meet the target.
- b) Additional resource is needed in City Surveyors to support delivery of targets, in a challenging market, which has been slow to progress. Insufficient resource will mean works need prioritising, risking lack of delivery on more complex projects.
- c) Additional budget will be needed to deliver the 2040 targets, beyond the current budget envelope which expires in March 2027. This is currently being scoped, and will return to Policy and Resources committee for debate in summer 2025.

## Corporate and Strategic Implications

31. 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
32. 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 2019-44, the Air Quality Strategy 2025-30, 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.
33. 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. The Corporate Risk CR30 has recently been updated as detailed in paragraph 29.
34. 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.
35. Climate Implications - The CAS focuses on reducing climate risk through reduction of emissions and preparing for the impacts of climate change. The lack of sufficient progress to the 2027 net zero target however poses an ongoing climate implication and risk, having potential reputational impacts.
36. No new resourcing, legal, or security implications arise from the recommendations in this report.

## Conclusion

37. Despite significant underspend on the CAS programme to date, substantial progress has been made against targets which has delivered long-term value to the City Corporation. Investment in the operational estate to date has already resulted in over £32m in avoided energy costs. The underspend to date has left us in a strong financial position to recover from exogenous factors and deliver additional works



within the same budget envelope, continuing momentum towards net zero and climate resilience targets, prioritising net zero by 2027 on our own operations.

## **Appendices**

### Appendix 1 – Financial Analysis

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## Appendix 1: Financial Analysis

### CAS Spend in Years 1-4

Years 1 - 4 spend is for the period 1 April 2021 to 31 March 2024.

Note this includes capital budget from CBF (subject to approval), which is outside of the original budget envelope of £68m.

Figure 5: Total Programme budget and spend in Years 1-4, split by capital and revenue and by Fund

		City Bridge Foundation	City's Estate	City Fund	Total
Revenue	Programme Budget	£1,267,103	£5,175,327	£12,566,452	£19,008,882
	Spend to 31/03/25	£772,758	£3,194,790	£7,244,427	£11,211,975
Capital	Programme Budget	£5,094,970	£13,024,731	£36,444,777	£54,564,478
	Spend to 31/03/25	£0	£1,470,933	£7,095,430	£8,566,363

### CAS Spend within Year 4 (FY24/25)

Year 4 spend is for the period 1 April 2024 to 31 March 2025.

Note this includes capital budget from CBF (subject to approval), which is outside of the original budget envelope of £68m.

Figure 6: Year 4 budget and spend, split by capital and revenue, and by Fund

YEAR 4	Budget (£k)				Spend (£k)			
Fund	CBF	CE	CF	Total	CBF	CE	CF	Total
Capital + SRP	2,482	3,917	11,291	17,689	0	1,201	2,485	3,686
Revenue	280	1,453	3,243	4,976	97	632	1,578	2,307
Grand Total	2,762	5,369	14,534	22,665	97	1,833	4,063	5,993

Figure 7: Year 4 budget and spend to 31 March 2025, split by revenue and capital (all Funds)

Project Name	Revenue		Capital	
	Budget	Spend	Budget	Spend
Strategy Implementation Support	£1,009,500	£629,812	£0	£0
<b>Net zero for CoLC operations by 2027</b>				
Operational Properties & Housing (Landlord areas)	£1,545,737	£551,775	£5,511,258	£1,974,200
Carbon Removals & Land Management	£174,000	£88,990	£973,791	£391,634
<b>Net zero for full CoLC value chain by 2040</b>				
Investment Properties	£500,000	£79,261	£3,089,908	£151,430
Capital Projects (Design Standards)	£230,000	£1,750	£80,000	£105,793
Financial Investments	£120,900	£97,959	£0	£0
Purchased Goods & Services	£291,000	£153,773	£0	£0

Net zero for Square Mile by 2040				
Square Mile	£525,000	£240,886	£0	£0
Transport	£0	£0	£3,150,000	£232,528
Heart of the City & SMEs	£200,000	£200,000	£0	£0
Climate Resilience				
Cool Streets & Greening	£0	£0	£2,380,000	£709,623
Mainstreaming Climate Resilience	£270,000	£263,626	£0	£0
Buildings Resilience	£110,000	£0	£2,504,000	£120,519
<b>CAS Programme Total</b>	<b>£4,976,137</b>	<b>£2,307,831</b>	<b>£17,688,957</b>	<b>£3,685,727</b>

## Programme Spend planned for Year 5 – 6 (FY25/26 – FY26/27)

Year 5 spend is for the period 1 April 2025 to 31 March 2026.

Year 6 spend is for the period 1 April 2026 to 31 March 2027.

*Figure 8: Year 5 and 6 budget, split by capital and revenue, and by Fund*

	Year 5 (£k)				Year 6 (£k)			
Fund	CF	CE	CBF	Total	CF	CE	CBF	Total
<b>Capital</b>	14,800	7,310	2,608	24,718	9,596	4,986	2,214	16,796
<b>Revenue</b>	3,000	1,112	229	4,341	2,559	672	159	3,390
<b>Total</b>	17,800	8,423	2,836	<b>29,059</b>	12,155	5,658	2,373	<b>20,186</b>

Note, underspend from Year 4 is wrapped into Year 5 and 6 Programme Budgets (FY 25/26 – 26/27):