

<b>Committee(s):</b> Finance Committee	<b>Date(s):</b> 04 November 2025
<b>Subject:</b> Climate Action Strategy Finance update to end of Q2 Year 5 (2025/2026)	<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>	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.
<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, Climate Action Director

### Summary

In October 2020, the Court of Common Council approved an ambitious Climate Action Strategy (CAS): a transformative portfolio with a vision of creating a responsible, sustainable and competitive City. 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.

The CAS total implementation budget is £68m from April 2021 through to March 2027. As of 31 August 2025, **34% has been spent**. An additional £9.4m is committed (spend approved but not yet delivered) and £11m leveraged in grant funding – bringing the spend profile tracking to 66%. This reflects both strategic resource deployment and success in attracting external investment.

The CAS is delivering material long-term value to the City Corporation, maintaining asset value, income, reputation, and service resilience. Investment in the operational estate and changes to open spaces land management have resulted in **£33m in savings** (avoided and realised) to the City Corporation - meaning the portfolio has already more than covered its costs.

Progress against targets to the end of Year 4 (2024/25) shows there is risk to achieving net zero for our own operations in 2027, due to lack of national grid decarbonisation, particularly cold weather increasing heating demand, and changing timelines of Corporation major projects. Underspend to date places us in a **strong financial position** to recover from exogenous factors and deliver prioritised 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 climate resilience in our buildings and public spaces.

### **Recommendations**

Members are asked to note the CAS financial position to the end of Q2 2025/26 and long-term value created.

### **Main Report**

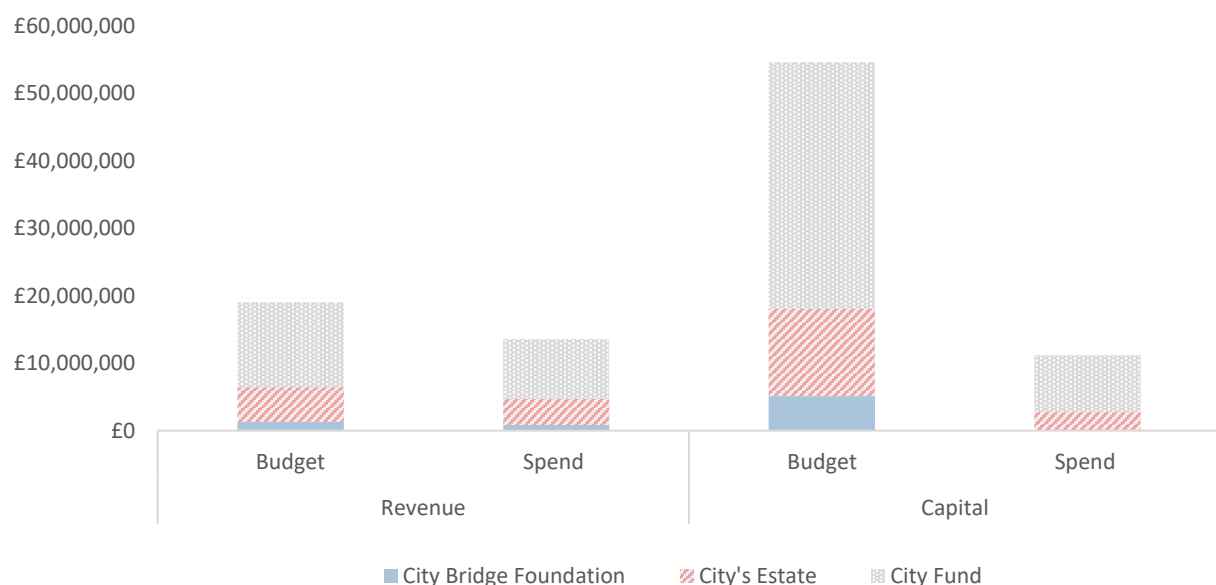
#### **Background**

1. In October 2020, the Court of Common Council approved an ambitious Climate Action Strategy (CAS): a transformative portfolio, with a vision of creating a responsible, sustainable and competitive City. It sets out three interlinked primary objectives for the City Corporation and the Square Mile: to support achievement of net zero emissions, to build resilience, and to champion sustainable growth. CAS became operational in April 2021.
2. The CAS sets out 4 ambitious targets:
  - a. Achieve net zero in own operations (scopes 1 & 2) by 2027
  - b. Achieve net zero across the Corporation's full value chain (scopes 1, 2 & 3) by 2040
  - c. Support net zero in the Square Mile by 2040
  - d. Build climate resilience in our buildings, public spaces and infrastructure.
3. 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 of £26.2m on 08 May 2025 for these Funds. CBF Board approved a Year 5 expenditure of £2.8m on 10 July 2025, bringing the Year 5 total budget to £29m.
4. The upfront investment required during the initial years for City Fund and City's Estate were funded 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 17.
5. 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.

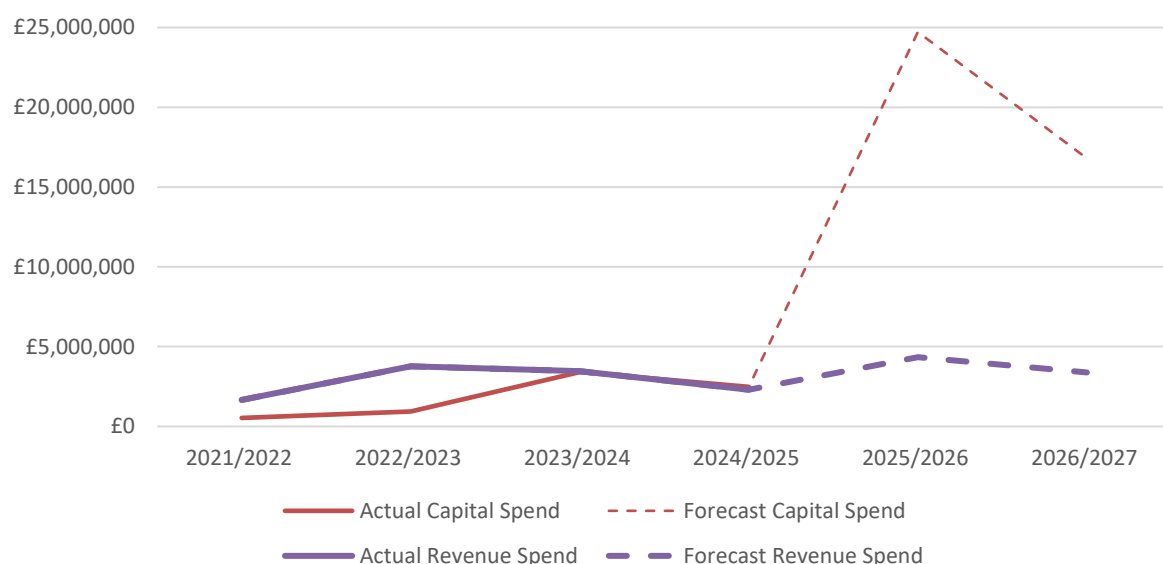
#### **Financial Update**

6. Figure 1 summarises the financial position of the CAS from April 2021 to 31 August 2025 split by capital and revenue, and by Fund. This is presented alongside the total portfolio budget (April 2021-March 2027, Years 1 – 6). Figure 2 show CAS spend from April 2021 to 31 August 2025 by year, alongside future spend forecast through to March 2027. More detail can be found in Appendix 1.

*Figure 1: Total portfolio budget, and spend from April 2021 to 31 August 2025, split by capital and revenue, and by Fund*



*Figure 2: Total portfolio capital and revenue budget and spend to 2024/25, with forecasted spend forecast to March 2027*



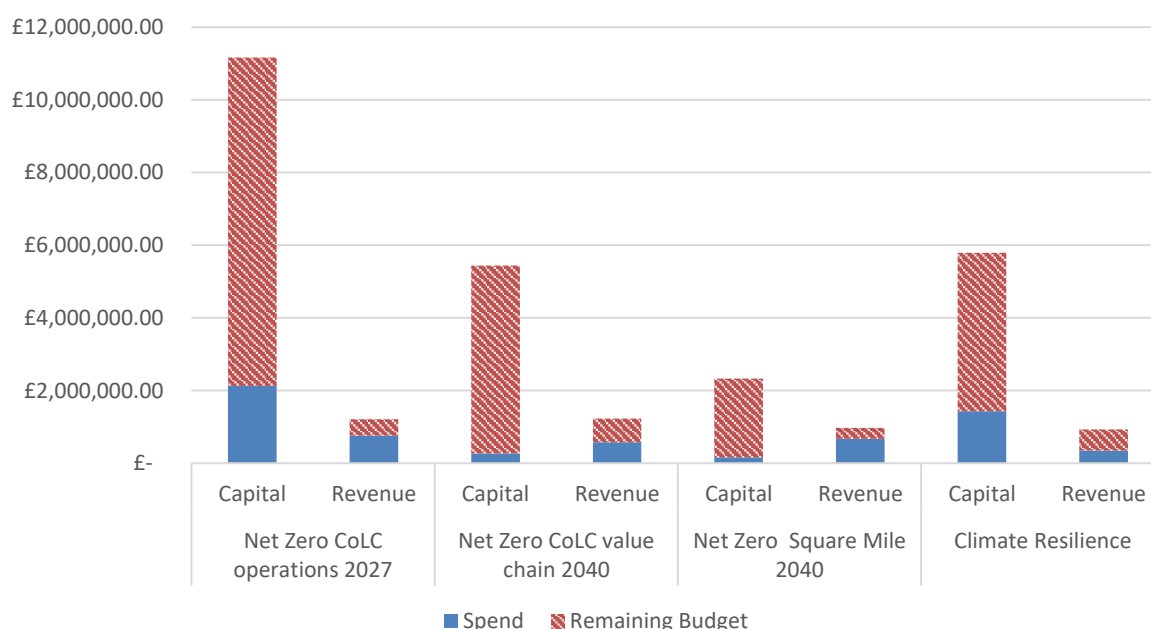
7. To the 31 August 2025:
- £24.8m of the total portfolio budget** has been spent (34%). This has generated **£33m in savings** (avoided and realised) to the City Corporation - meaning the portfolio is already more than covering its costs. More details are in paragraph

12. Taking into account a further £9.4m committed spend (spend approved but not yet delivered) and £11m leveraged in grant funding, the spend profile tracks at 66%. This evidences our strategic deployment of resources coupled with success in securing external investment.

- b. **71% of the portfolio's revenue budget** has been spent. Revenue has been re-prioritised to deliver impact and bolster future risk mitigation and cost savings. Early planning and delivery strengthens long-term success and positions us to leverage external funding where possible. More detail can be found in Appendix 1.
- c. **21% of the portfolio's capital budget** has been spent. The speed of capital delivery is accelerating, as expected:
  - Early years of the Strategy focused more on surveys and audits, in order to deploy capital works later in the portfolio;
  - Grant funding supported early delivery of emissions reduction actions (such as the Public Sector Decarbonisation Scheme); and
  - Delays in appointing sufficient resource to manage and deliver capital works have been resolved.

8. The FY2025/26 (Year 5) budget is £29m. Figure 3 sets out the Year 5 budget and spend by target, split by revenue and capital. Actual spend is correct to 31 August 2025. More detail can be found in Appendix 1.

*Figure 3: Year 5 budget and spend to 31 August 2025 by target, split by capital and revenue*



9. In the first five months of this financial year, £6.4m was spent across the portfolio. This spend is equivalent to the portfolio's total expenditure in Year 1 and 2 combined – demonstrating we are accelerating delivery as forecast, particularly for works towards achieving net zero in City Corporation operations by 2027.

10. A significant portion of the remaining in-year budget is expected to be spent in the next 6 months, with £9.4m already committed for spend. The focus is on deploying capital works across net zero and resilience targets, prioritising works to support net zero by 2027 and support accelerating works that provide long term success and savings. The remaining in-year budget is unlikely to be fully expended, and remaining budget will be rolled over into Year 6.
11. In addition to the CAS budget and spend, there is wider organisational spend on projects that contribute to climate action and provide benefits to the City Corporation. While this wider investment is not captured within the CAS budget reporting, it plays an important role in supporting our overall climate objectives. The CAS allocation itself is directed towards changing business practice and accelerating delivery.

### Strategic Progress and Long-Term Value

12. 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 in the City Corporation's 2027 net zero target, where we have generated:
  - a. **£31.6m** in avoided cost (additional Corporation energy bill if CAS did not exist),
  - b. **£1.3m** in realised savings to the energy bill,
  - c. circa **£70k** from energy generated income (via the Power Purchase Agreement),
  - d. Over **£15m** of savings costs are directly attributable to tenants across our investment property portfolio.
13. Work is ongoing to quantify savings in other areas. Climate resilience is particularly challenging to financially quantify, with no standardised value-calculations approach, due to its long term risk mitigation and diffuse impacts.

*Figure 4: CAS spend and savings generated per target in Years 1 to 31 August 2025 against total portfolio allocation*

Target	Total Target Allocation	Spend to 31 August 2025	Saving / avoided cost generated to date
Net zero for CoLC operations by 2027	£28,235,455	£8,686,073	£32,964,922 (to COLC)
Net zero for full CoLC value chain by 2040	£16,726,949	£4,589,088	£15,697,600 (to tenants)
Net zero for Square Mile by 2040	£11,899,049	£5,117,759	£0
Climate Resilience	£16,711,906	£6,390,229	£0
<b>CAS Portfolio Total</b>	<b>£73,573,360</b>	<b>£24,783,048</b>	<b>£48,662,522</b>

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

14. Every year we assess progress against our targets. The latest available data with performance to the end of Year 4 (2024/25) indicates that all four targets remain achievable - although there is some risk to achieving the 2027 net zero target. Importantly, this has been achieved whilst portfolio delivery remains under budget.

Target: Achieve net zero in own operations by 2027

15. In 2024/25, we achieved a 60% reduction in operational emissions against the 2018/19 baseline, against a 67% interim target: a 1ktCO<sub>2</sub>e increase since last year. This was primarily due to 2024/25 being 11% colder than 2023/24 – meaning increased gas consumption for heating. Although previous electricity reduction projects delivered some energy savings, they were outweighed by increased demand associated with the success of return to office working policy. Investment in earlier energy efficiency projects prevented costs rising significantly, demonstrating CAS initiatives can deliver both long-term climate and financial sustainability, protecting our operational assets from external pressures.
16. CAS energy projects have already delivered 30% more than originally planned in 2020, within the same budget envelope. However more energy efficiency works are needed to compensate for a slow national grid decarbonisation and changing timelines of Corporation major projects (such as Guildhall Refurbishment, Barbican Renewal and Market Relocation) – both of which were originally identified as critical to reaching net zero. This enables further investment into our operational estate which supports long-term cost savings.
17. The Operational Portfolio has seen 30 million kWh energy savings since 2018/19. These improvements have generated over £1.3m in realised 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 £31.6m in avoided energy costs over the past 4 years, at a cost of £4.3m to the Corporation (plus £10m of grant funding). Notably, the value of avoided costs will increase as energy prices rise.
18. If the National Grid and Citigen decarbonise as expected, 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 March 2027. If this happens, we would be likely to meet the target in 2028 – with no extra funds sought. We will still likely be the first London Borough to reach net zero for all operational emissions.
19. Our operational net emissions (scope 1 and 2) comprise only 6% of our total value chain footprint (scope 1, 2 & 3), which is targeted to reach net zero by 2040.

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

20. In 2024/25, we achieved a 28% reduction in emissions since the 2018/19 baseline – just shy of our first interim target of a 31% reduction. We remain on track to meet this target, whilst under budget.
21. The largest contributors to our total footprint are financial investments (50%), capital goods – our commissioned buildings and major refurbishments (15%), and leased properties - which includes Investment properties and housing dwellings (14%).
22. Revenue investment has provided critical insight of our financial investments current and future exposure to climate-related risks. The findings identify significant long-term risks to the Corporation's investment Funds. Protecting long-term returns is essential,

and this insight can now be used to support investment strategies to enhance resilience and safeguard their future value.

23. Capital investment in the Investment Property portfolio is a market requirement to maintain asset competitiveness. Sustainability and resilience works ensure compliance with regulatory requirements such as MEES (Minimum Energy Efficiency Standards), protects long-term asset value, and avoids risks to rental income.
24. The Corporation's total year-on-year emissions reduction was hampered by an increase in capital goods emissions (our commissioned building developments and major refurbishments). This is the second consecutive annual rise, which is expected given the multiyear nature of large-scale works such as the One Salisbury Square development and energy efficiency estate upgrades. Most projects comply with our Sustainable Design Standards, ensuring they are future-ready. We are enhancing emissions tracking to better reflect specific materials, improving future insights and supporting ongoing reductions through sustainable practices.

Target: Support net zero in the Square Mile by 2040

25. For the Square Mile 2040 net zero goal, the first interim target is a 60% reduction by 2025 against the 2017 baseline. The latest data (2022) shows a 24% reduction against the baseline, an expected increase on 2021 as activity recovered post-COVID. Provisional 2023 figures suggest a 29% reduction - our first annual decrease since the 2020 lockdown and the first signs of Corporation policies taking effect. We remain on track to reach the 2040 target, whilst staying under budget.
26. Commercial and industrial buildings account for 65% of Square Mile emissions, making energy efficiency and heat networks central to progress. To date, we have invested £215k, alongside £720k leveraged in external funding, to prepare for forthcoming heat network regulation. This early investment ensures speedy compliance and positions the City to unlock future external capital investment estimated at £1.2bn - £3.1bn, accelerating large-scale decarbonisation.

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:
  - a. Flooding
  - b. Overheating
  - c. Water stress
  - d. Biodiversity loss
  - e. Pests and diseases
  - f. Trade, food and infrastructure
28. If left unaddressed, these risks will significantly increase costs for the Corporation, both through impacts on our own assets and growing pressure on services. Early intervention reduces long-term costs and builds resilience over time.
29. 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. 186 trees have been planted across the Square Mile since April

2021.

30. The 2024 London Climate Resilience Review, commissioned by the Mayor of London, confirmed the City Corporation is a leader in this space but still have much to do to prepare the City for the impacts of climate change.

## **Risk**

31. 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 (CR30). Mitigating actions are primarily addressed by the Climate Action Strategy, and supported by other areas of work in sustainable finance. The current risk rating is Amber 12 (4 major x 3 possible), with a target risk score of Amber 6 (2 serious x 3 possible) reflecting the fact that climate change is inevitable and impacts cannot be entirely mitigated.
32. A portfolio level risk log is updated regularly. The most pressing delivery risks include:
  - a. Slower than forecasted decarbonisation of the National Grid or Citigen, requiring additional efficiency works and accelerated delivery spend to meet net zero in 2027 or risk missing the target.
  - b. Operational limitations delaying delivery of energy efficiency works (including regulation, planning and technical constraints). This would mean not hitting the 2027 net zero target and delay energy cost savings.
  - c. Changing international guidelines and regulations on the definition of net zero for a Corporation and a City will require us to update our pathways and plans over time.
  - d. Upcoming changes to Local Government pension management in the UK might mean this element of our emissions is excluded from our net zero target – to be confirmed at a future juncture when the impact of new regulations is clear.
  - e. Deployment of heat networks in the City is crucial to reaching net zero. There is currently insufficient heat supply to meet all demand, requiring significant financial investment and collaboration across London to secure greater supply.

## **Corporate and Strategic Implications**

33. Strategic implications – The CAS supports delivery against four outcomes in the Corporate Plan 2024-29:
  - a. Leading Sustainable Environment
  - b. Vibrant Thriving Destination
  - c. Flourishing Public Spaces
  - d. Providing Excellent Services
34. 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.

35. Financial Implications – Delivering the CAS in a challenging financial environment requires balancing immediate cost pressure and long-term value. Target interventions have already delivered substantial savings (£33m) to the Corporation, whilst continued investment within the existing budget envelope strengthens the Corporation’s resilience.
36. Risk Implications – To manage the Strategy risk effectively, all programmes 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 31.
37. 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 portfolio of work.
38. 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.
39. No new resourcing, legal, or security implications arise from the recommendations in this report.

## **Conclusion**

40. Despite significant underspend on the CAS portfolio to date, substantial progress has been made against targets, bringing with it significant value and regulatory compliance to the City Corporation. Investment in the operational estate has already resulted in over £33m savings (avoided and realised) to the organisation. Capital expenditure is accelerating as expected, supporting long-term resilience and sustainability across the City Corporation’s assets, investments, and services. 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 1-5

Years 1 – 5 spend is for the period 1 April 2021 to 31 August 2025.

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

*Figure 5: Total portfolio budget and spend in Years 1-5 (YTD), split by capital and revenue and by Fund*

		City Bridge Foundation	City's Estate	City Fund	Total
Revenue	Portfolio Budget	£1,267,103	£5,175,327	£12,566,452	£19,008,882
	Spend to 31/08/25	£862,095	£3,843,096	£8,871,533	£13,575,724
Capital	Portfolio Budget	£5,094,970	£13,024,731	£36,444,777	£54,564,478
	Spend to 31/08/25	£0	£2,745,305	£8,462,019	£11,207,324

### CAS Spend within Year 5 (2025/26)

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

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

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

YEAR 5	Budget (£k)				Spend (£k)			
Fund	CBF	CE	CF	Total	CBF	CE	CF	Total
Capital + SRP	2,608	7,311	14,800	24,718	0	1,721	2,271	3,992
Revenue	229	1,112	3,000	4,341	89	647	1,627	2,364
Grand Total	2,836	8,423	17,800	29,059	89	2,368	3,898	6,355

*Figure 7: Year 5 budget, spend and committed spend to 31 August 2025, split by revenue and capital (all Funds)*

Programme / target name	Revenue		Capital			Totals	
	Budget	Spend	Budget	Spend	Committed	Budget	Spend
Strategic Implementation Support	£1,135,500	£768,637	£1,141,778	£40,700	£0	£2,277,278	£809,337
<b>Net zero for CoLC operations by 2027</b>	<b>£927,300</b>	<b>£566,713</b>	<b>£10,874,229</b>	<b>£2,114,900</b>	<b>£4,293,248</b>	<b>£11,801,529</b>	<b>£2,681,613</b>
Operational Properties and Housing (Landlord areas)	£804,000	£449,434	£9,741,000	£1,974,531	£4,212,568	£10,545,000	£2,423,965
Carbon Removals and Land Management	£123,300	£117,279	£1,133,229	£140,369	£80,680	£1,256,529	£257,648
<b>Net zero for full CoLC value chain by 2040</b>	<b>£944,800</b>	<b>£383,612</b>	<b>£5,152,100</b>	<b>£257,223</b>	<b>£2,516,677</b>	<b>£6,096,900</b>	<b>£641,165</b>
Investment Properties	£475,000	£145,372	£5,062,100	£151,430	£2,516,677	£5,537,100	£296,802

Capital Projects (Design Standards)	£110,000	£160,437	£90,000	£105,793	£0	£200,000	£266,230
Financial Investments	£97,300	-£10,862	£0	£0	£0	£97,300	-£10,862
Purchased goods and Services	£262,500	£88,995	£0	£0	£0	£262,500	£88,995
<b>Net zero for Square Mile by 2040</b>	<b>£691,250</b>	<b>£483,959</b>	<b>£2,043,750</b>	<b>£154,320</b>	<b>£93,114</b>	<b>£2,735,000</b>	<b>£639,279</b>
Square Mile	£691,250	£484,959	£733,750	£0	£0	£1,425,000	£484,959
Transport	£0	£0	£1,310,000	£154,320	£93,114	£1,310,000	£154,320
<b>Climate Resilience</b>	<b>£642,400</b>	<b>£159,498</b>	<b>£5,506,193</b>	<b>£1,424,438</b>	<b>£2,523,574</b>	<b>£6,148,593</b>	<b>£1,583,937</b>
Cool Streets and Greening	£590,000	£0	£2,762,573	£1,321,918	£2,523,574	£3,352,573	£1,321,918
Mainstreaming Resilience	£2,500	£110,118	£0	£0	£0	£2,500	£110,118
Resilient Buildings	£49,900	£49,380	£2,743,620	£102,520	£0	£2,793,520	£151,901
<b>CAS Portfolio Total</b>	<b>£4,341,250</b>	<b>£2,363,749</b>	<b>£24,718,050</b>	<b>£3,991,582</b>	<b>£9,426,613</b>	<b>£29,059,300</b>	<b>£6,355,331</b>