Committee(s): Finance Committee	**Date(s):** 02 June 2026
Subject: Climate Action Strategy Finance update to end of FY25/26	**Public Report**: For Information
This proposal: • Delivers Corporate Plan 2024-29 outcomes	Leading Sustainable Environment, Flourishing Public Spaces, Providing Excellent Services
Does this proposal require extra revenue and/or capital spending?	No
If so, how much? **What is the source of Funding?**	Original CAS budget envelope approved by Court upon adoption – comprised from City Fund, City Estate and CBF.
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of:	Damian Nussbaum, Executive Director of Innovation and Growth
Report author:	Kate Neale, Climate Action Director

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. Successful delivery of the Climate Action Strategy is integral to maintaining the City Corporation's credibility as a world-leading financial centre, where effective climate risk management and demonstrable progress is expected by global investors, businesses and regulators.

This paper provides an update of the Strategy finance through to close of FY25/26. The total CAS portfolio budget is £68m from April 2021 through to March 2027. As of 31 March 2026, **55% has been spent (£38m)**. An additional £3.8m is committed (approved but not yet delivered) and £11m leveraged in grant funding – bringing the spend profile tracking to 77%. 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 City Corporation's building and open spaces estate has **generated £53m in savings** (avoided and realised) - meaning the climate delivery has already more than covered its costs.

The latest available performance data (FY2024/25) indicates we are broadly on track to meet our climate goals, achieved whilst portfolio delivery remains under budget. 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.

Recommendations

- Note the CAS financial position to the end of FY2025/26 and value created.

Main Report

Background

1. In October 2020, the Court of Common Council approved a transformative Climate Action Strategy to create a responsible, sustainable and competitive City - integral to maintaining the City's credibility as a world-leading financial centre, where effective climate risk management and demonstrable progress is expected by global investors, businesses and regulators. The Strategy became operational in April 2021.

2. The Climate Action Strategy (CAS) sets 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. These are reflected in four targets:
    - Achieve net zero in the City Corporation's operations (scopes 1 & 2) by 2027
    - Achieve net zero across the City 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

3. The Court approved an original funding envelope of £68m to deliver the Strategy through to March 2027, with each year's budget subject to confirmation. Policy and Resources Committee approves the annual budget drawdown for City Fund and City's Estate. City Bridge Foundation (CBF) budget is approved by CBF Board; however, CBF funds are shown here for illustrative purposes, and for demonstrating combined commitment between CBF and the City Corporation.

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.

Financial Update

5. The total portfolio budget envelope for FY2021/22 to 2026/27 is £68m. As at 31 March 2026, **55% of the total budget has been spent (£38m).** This has **generated £53m in savings** (avoided and realised) - meaning the portfolio is more than covering its costs – further details are in paragraph 12. The spend profile would be 71% had we not secured over £11m of external grant funding to deliver early emissions reduction projects. This evidences our strategic deployment of resources coupled with success in securing external investment due to early preparatory and enabling works.

6. By 31 March 2026, **80% of the revenue budget has been spent (£15.1m)**. This aligns with the portfolio being 83% of the way through its planned timeline, indicating an appropriate spend profile. Revenue funding has been 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.

7. By 31 March 2026, **46% of the capital budget has been spent (£22.8m)**, rising to 54% when including committed spend (raised purchase orders not yet invoiced against). Including grant-funded delivery, the profile increases to 76% - reflecting early use of external funding to deliver

priority emissions reduction projects. This is an expected acceleration: the Strategy front-loaded surveys and design work, with capital investment accelerating in later years, supported by strengthened resourcing.

8. Figures 1 and 2 illustrate the financial position detailed in paragraphs 5-7; providing complementary views of the total portfolio spend to date by capital and revenue, showing spend against the total portfolio budget per Fund, as well as annual spend to date and forecast to March 2027. Further details are in Appendix 1.

Figure 1: Total portfolio budget, and spend from April 2021 to 31 March 2026, split by capital and revenue, and by Fund

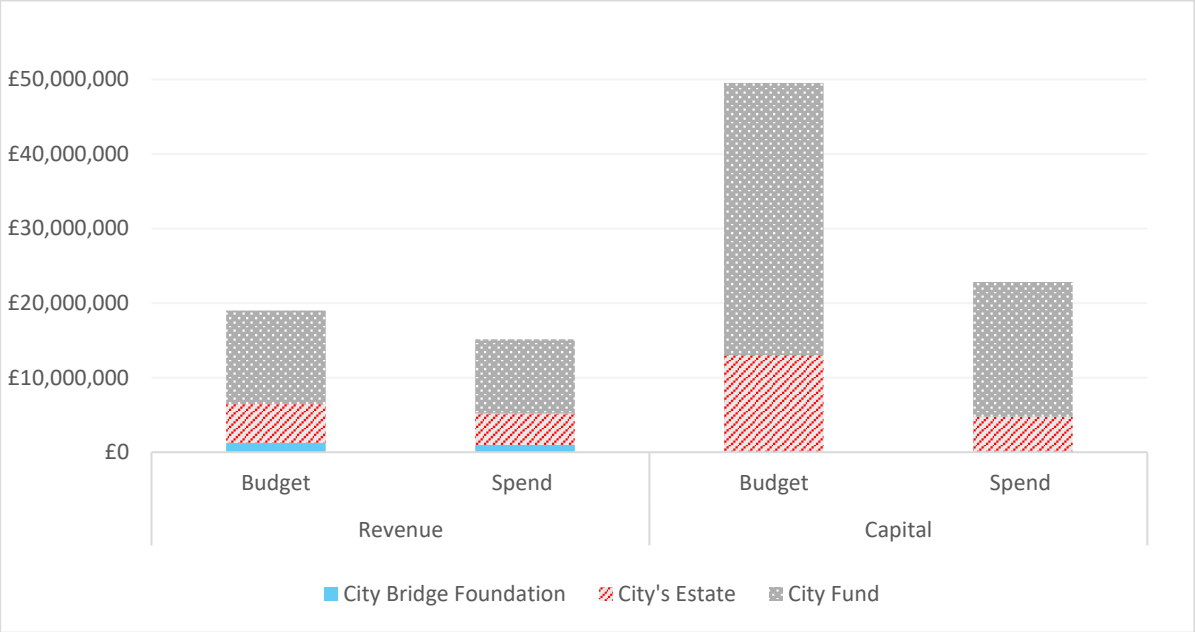
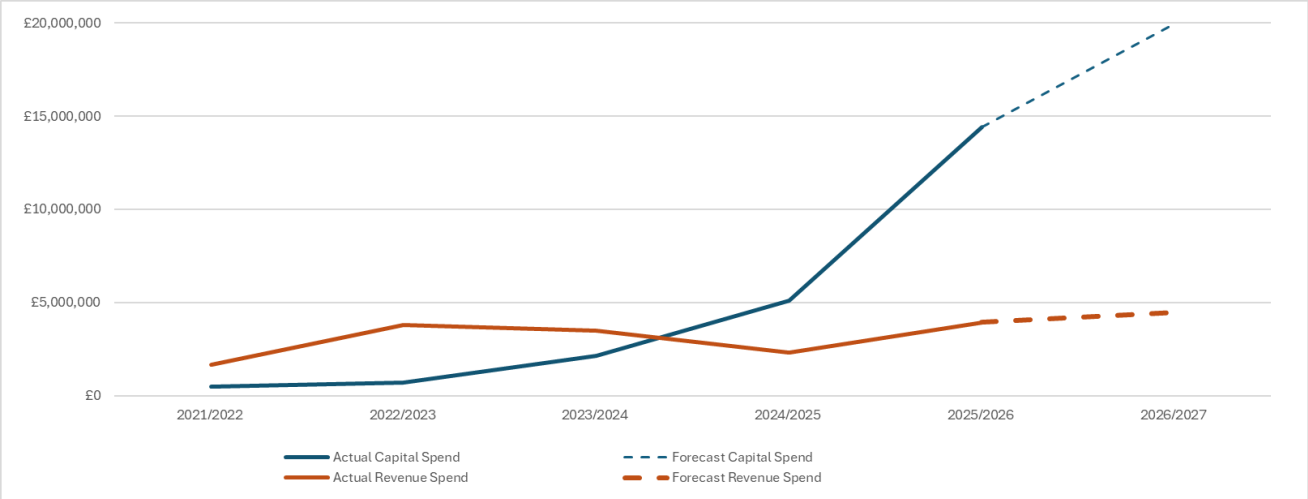


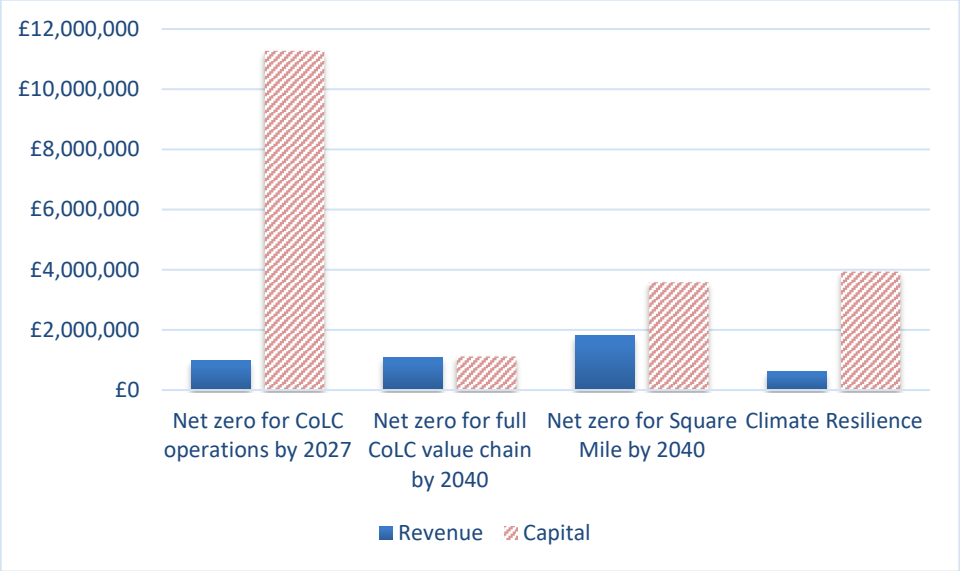
Figure 2: Total portfolio capital and revenue budget and spend to 31 March 2026, with forecasted spend forecast to March 2027



9. The FY2026/27 budget is £24.4m, representing 36% of the total programme envelope – in

addition to committed spend. A significant portion of the remaining budget is expected on capital works, prioritising delivery for the City Corporation's 2027 net zero target and laying the foundations for sustained progress towards the 2040 net zero and resilience ambitions. More detail on planned expenditure in FY2026/27 can be found in Figure 3 and Appendix 1.

Figure 3: FY2026/27 budget by target, split by capital and revenue



10. Spend will continue to be prioritised to maximise impact and compound benefits over time. Based on current profiling and forecasts, it is anticipated that there will be a remaining envelope balance of ~£4m, which is recommended to be rolled on to fund CAS Phase 2. This will be taken to Policy & Resources Committee for decision in early 2027 when we have a clearer understanding of final expenditure for Phase 1.

11. In addition to the CAS portfolio 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 portfolio budget reporting, it plays an important role in supporting our overall climate objectives and is embedded into business-as-usual practices. The CAS allocation itself is directed towards changing business practice and accelerating delivery.

Strategic Progress and Long-Term Value

12. As capital delivery has increased, CAS has continued to deliver clear long-term value to the City Corporation, both financially and reputationally. To date the investment has resulted in over **£53m savings (avoided and realised) to the City Corporation and tenants,** by both reducing consumption and protecting from high energy costs. Figure 4 details financial savings to date. The most tangible financial benefits include:
    a) **£36m in avoided cost**, representing the additional energy expenditure the City Corporation would otherwise have incurred in the absence of CAS interventions – due greater consumption of energy at higher costs;
    b) **£1.6m in realised savings** to the energy bill (pending final reconciliation);
    c) circa **£70k from energy generated income** (via the Power Purchase Agreement); and
    d) Over **£15m of tenant energy savings** are directly attributable to tenants across the 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: Portfolio spend from April 2021 to 31 March 2026 and savings generated, split by target

Target	Spend to 31 March 2026	Saving / avoided cost generated to date
Net zero for CoLC operations by 2027	£14,525,214	£37,658,811 (to CoLC)
Net zero for full CoLC value chain by 2040	£8,219,650	£15,697,579 (to tenants)
Net zero for Square Mile by 2040	£6,997,563	-
Climate Resilience	£8,219,043	-
CAS Portfolio Total	**£37,961,470**	**£53,356,390**

14. Beyond quantified savings, CAS investment is strengthening the financial resilience of both the City Corporation and the Square Mile to future climate and market risks. Since its inception, CAS has delivered tangible impact by helping to mitigate key climate risks, including reducing exposure to volatile energy prices, protecting assets and public spaces from increasing heat, drought and flood risk, and supporting the long-term economic resilience and reputation of the UK's sustainable finance centre. Achievements to date include a 243 $ktCO_2e$ reduction in Square Mile emissions since 2017, equivalent to powering around 81,000 homes for a year, and the delivery of 17,200 m^2 of enhanced, climate-resilient greening. Further detail is set out in Appendix 2.

15. Actions and progress saw the City Corporation recognised both nationally and internally for climate leadership. The City Corporation ranked among the top three UK Local Authorities in Climate Scorecards. Internationally, the City of London achieved a prestigious 'A List' rating, placing in the top 15% of cities globally. We have been shortlisted for 21 awards, winning 4 so far – most recently shortlisted for *Net Zero Award* at the Local Government Chronicle (LGC) awards, *Delivering Resilient and Sustainable Growth* at the Municipal Journal (MJ) awards, and *Living Green for Climate Change at the* AIPH World Green City Awards.

16. Every year we assess progress against our targets. The latest available data shows performance to the end of Year 4 (FY2024/25), presented to Members in October 2025, and indicates we are broadly on track to meet our goals. Importantly, this has been achieved whilst portfolio delivery remains under budget. The Year 5 (2025/26) emissions accounting exercise will commence shortly and will be presented, alongside full CAS progress, to Members in autumn 2026.

Corporate and Strategic Implications

17. Strategic implications – The CAS supports delivery against four outcomes in the Corporate Plan 2024-29:
    i. Leading Sustainable Environment
    ii. Vibrant Thriving Destination
    iii. Flourishing Public Spaces
    iv. Providing Excellent Services

18. 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.

19. Risk Implications - 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.

20. A portfolio level risk log is updated regularly. The most pressing delivery risks include:
    i. 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.
    ii. 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.
    iii. 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.
    iv. 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.

21. 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 (£53m), whilst continued investment within the existing budget envelope strengthens the City Corporation's resilience.

22. 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.

23. Climate Implications - The CAS focuses on reducing climate risk through reduction of emissions and preparing for the impacts of climate change.

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

Conclusion

25. The CAS portfolio continues to demonstrate strong financial performance and value for money, with spend to date aligned to the portfolio timeline and delivery objectives. As at 31

March 2026, investment has more than covered its costs, generating £53m in avoided and realised savings, while remaining within the approved budget envelope. The spend profile reflects strategic prioritisation, early enabling activity and successful leverage of external grant funding to accelerate impact. Looking ahead, the remaining budget is focused on capital delivery critical to achieving the City Corporation's 2027 net zero target and laying the foundations for longer-term delivery to 2040. In addition to direct savings, CAS investment is strengthening financial resilience to future climate and market risks, supporting energy security, protecting long-term returns and reducing exposure to future cost pressures.

Appendices

Appendix 1: Financial Analysis
Appendix 2: Climate Action Strategy impacts

Kate Neale
Climate Director
E: kate.neale@cityoflondon.gov.uk

Appendix 1: Financial Analysis

Note: Capital budget from CBF is outside of the original £68m budget envelope and is managed separately, therefore not included within Figures 5-7.

CAS Portfolio Spend, from inception to date (FY2021/22 to FY2025/26)

Figure 5: Total portfolio budget and spend FY21/22 to 25/26, split by capital and revenue and by Fund

		City Bridge Foundation	City's Estate	City Fund	Total
Revenue	**Portfolio Budget**	£1,234,717	£5,221,174	£12,552,991	£19,008,882
	Spend to 31/03/26	£963,249	£4,224,756	£9,945,835	£15,138,899
Capital	**Portfolio Budget**	N/A	£13,042,906	£36,459,002	£49,501,908
	Spend to 31/03/26	N/A	£4,764,372	£18,065,719	£22,830,091

Note: FY2021/22 to 2025/26 spend is for the period 1 April 2021 to 31 March 2026

CAS Portfolio Spend in most recent year (FY2025/26)

Figure 6: FY25/26 budget and spend, split by capital and revenue, and by Fund

FY25/26	**Budget**				**Spend**			
Fund	**CBF**	**CE**	**CF**	**Total**	**CBF**	**CE**	**CF**	**Total**
Capital	N/A	£7,310,584	£14,799,539	£22,110,123	N/A	£2,835,036	£11,584,111	£14,419,147
Revenue	£228,564	£1,112,419	£3,000,267	£4,341,250	£190,490	£1,030,447	£2,705,960	£3,926,923
Grand Total	£228,564	£8,423,003	£17,799,806	£26,451,373	£190,490	£3,865,483	£14,209,071	£18,346,071

Note: FY2025/26 spend is for the period 1 April 2025 to 31 March 2026

CAS Portfolio budget FY2026/27

Figure 7: FY26/27 budget, split by revenue and capital (all Funds)

Programme Name	Revenue	Capital	Total
Strategic Implementation Support	£967,375	£0	£967,375
Net zero for CoLC operations by 2027			
Operational Properties and Housing (Landlord areas)	£705,000	£10,557,000	£11,262,000
Carbon Removals and Land Management	£28,300	£722,263	£750,563
Net zero for full CoLC value chain by 2040			
Investment Properties	£270,500	£1,053,300	£1,323,800
Capital Projects (Design Standards)	£178,000	£59,000	£237,000
Financial Investments	£97,834	£0	£97,834
Purchased goods and Services	£301,500	£0	£301,500
Net zero for Square Mile by 2040			
Square Mile	£1,560,000	£588,904	£2,148,904
Transport	£0	£3,000,000	£3,000,000
Climate Resilience			
Cool Streets and Greening	£140,000	£2,422,201	£2,562,201
Mainstreaming Resilience	£2,500	£0	£2,500
Resilient Buildings	£227,472	£1,516,754	£1,744,226
CAS Portfolio Total	**£4,478,481**	**£19,919,422**	**£24,397,903**

Note: FY2026/27 spend is for the period 1 April 2026 to 31 March 2027

Appendix 2: Climate Action Strategy impacts

Climate change has material implications for London's people, infrastructure and economy. By 2050, London is expected to experience double the number of drought days, increasing fire risk; more frequent extreme heat events; rising heat-related mortality; subsidence impacting up to 40% of London's property; water shortages; and growing flood risk necessitating major investment in Thames riverside infrastructure.

In this context, credible, demonstrable climate action is essential to protect both the Square Mile and the City Corporation's assets and services – and demonstrate leadership as a centre for transition finance. In 2024, UK firms raised $15 billion of green labelled bonds, up from $11 billion in 2023.

The Climate Action Strategy delivers measurable results, minimises risk, and demonstrates leadership:

Square Mile

- **243 ktCO_2e reduction** in emissions between 2017-2023, equivalent to **powering 81,000 homes for a year**
- **17,200 m²** of improved and climate resilient greening
- **186 trees** planted from **64 species**, **cooling the City's streets by** up to **6°C** in summer peaks
- Tested over **70** climate resilience measures to determine scalable solutions
- **99%** of major commercial applications with a resolution to grant are targeting BREEAM Excellent or above
- **47%** of approved major applications are retrofit schemes, compared to only 8% at the start of 2021
- **85%** of peak on-street travel activity is from walking, wheeling and cycling
- **214m** of new cycle lanes built



Sustainable Drainage System, King William Street



King Street on-street active travel improvements



Climate resilient landscaping, Little Trinity Lane

City of London Corporation

- **151 ktCO_2e reduction** in City Corporation emissions between 2018/19-2024/25, equivalent to **powering 50,000 homes for a year**
- **73 ha** of new wildflower meadow created across our open spaces – the equivalent size of 100 football pitches
- **25%** reduction absolute emissions of our financial investments since 2018/19
- **77%** of spend is with suppliers who have a net zero target - supporting the green economy
- **30 million kWh** reduction in energy use across corporate buildings – **saving the Corporation £38m** (realised and avoided from rising energy costs)
- **700** staff volunteering hours dedicated to climate action



London Archives solar panel installation



Supplier engagement event for sustainable solutions