

## APPENDIX V1: Lewisham Council Climate Budget 2025/26-2027/28

### 1. What is a Climate Budget?

- 1.1. This section provides further detail on the financial implications of delivery of Lewisham's Climate Emergency Action Plan. The analysis has been informed by London-wide work to develop good practice on climate budgeting.
- 1.2. A climate budget is a governance process intended to support the implementation of short-term actions and the long-term ambition to reduce the borough's carbon emissions to net zero. The intention is that the climate budget is integrated within the Council's financial reporting and budget setting processes.
- 1.3. In line with current practice Lewisham Council is taking a phased approach to climate budgeting, the details of this are set out below.

### 2. Lewisham's Climate Emergency Action Plan

- 2.1. Lewisham Council first published its Climate Emergency Action Plan in 2020. This Action Plan was informed by an external assessment of the pathways for decarbonisation, which forecast a cost of delivering net zero carbon by 2030 at £1.6bn<sup>1</sup>. The technological and practical challenges involved in delivering net zero required the consultants to make a wide range of assumptions and since 2020 the evidence suggests that £1.6bn is an underestimate.
- 2.2. Councils are not under a statutory or any other obligation to deliver net zero carbon and Lewisham Council is not required, or funded, to meet the costs of decarbonising the borough. The Council's declaration of a climate emergency was in recognition of the need for significant and sustained action at all levels of society in response to the threat a changing climate has for the borough and in particular our most vulnerable residents. The Council's role in driving that level of action is to show leadership in relation to the emissions we control, work with stakeholders to drive innovation and to seek the resources, powers and know-how needed to put our local ambition into practice. The Council's Action Plan seeks to deliver those outcomes but is not itself a fully costed plan that will, on its own, achieve net zero carbon in the borough by 2030.
- 2.3. In 2024 Lewisham Council published a revised Climate Emergency Action Plan<sup>2</sup>, updating the original set of actions based on progress locally and in response to the changed policy and delivery landscape that has emerged since 2020.
- 2.4. Progress on Lewisham's Climate Emergency Action Plan is reviewed regularly by the Council's Executive Management Team and through the Council's scrutiny process and is reported annually to the Mayor and Cabinet. Details of the Action Plan and annual reporting can be found on the Council's website<sup>3</sup>.

### 3. Climate Budgeting: A Phased Approach

- 3.1. Calculating the cost and carbon savings of actions can be complex, often requiring

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<https://councilmeetings.lewisham.gov.uk/documents/s72556/Annex%20C%20Routes%20to%20Carbon%20Neutral%20Report.pdf>

2 <https://lewisham.gov.uk/-/media/0-services/environment/climate-emergency/climate-emergency-action-plan-2024.pdf>

3 <https://lewisham.gov.uk/myservices/environment/climate-emergency>

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detailed technical assessments, forecasts of costs and calculations of carbon intensity that are subject to change over time. In many cases delivery of works requires the alignment of existing resources alongside new funding streams and pressures on public finances mean funding is not available at the level needed to fully decarbonise. One of the primary purposes of climate budgeting is to help identify those funding gaps and support the development of the solutions to accelerate delivery.

3.2. References below to emission scopes are based on definitions established by the Greenhouse Gas Protocol. Scope 1, 2 and 3 emissions are a method of defining, measuring and reporting carbon emissions on an organisational or an area basis. Scope 1 covers direct emissions from owned or controlled sources, primarily gas and fuel consumption in vehicles. Scope 2 covers indirect emissions from owned or controlled sources from the generation of purchased electricity, steam, heating and cooling. Scope 3 includes all other indirect emissions, including from an organisational perspective, the supply chain for running operations.

3.3. The Council's 2024 Medium Term Financial Strategy included a Climate Budget appendix which set out a phased approach to Climate Budgeting<sup>4</sup>. The focus of the Climate Budget in this initial phase is on emissions associated with Council operations. Work to develop the Climate Budget is ahead of schedule and this update includes the following:

- Forecast capital expenditure required to decarbonise corporate emissions, including:
  - Scope 1 (gas/fuel consumption: corporate buildings, schools, fleet);
  - Scope 2 (electricity consumption: corporate buildings, schools, fleet, streetlighting);
- Forecast capital expenditure required to decarbonise Council housing stock emissions; and
- A three-year forecast of capital budgets to decarbonise corporate and Council housing stock emissions.

## 4. Lewisham Council carbon emissions 2018/19-2022/23

4.1. The latest published data for Lewisham Council corporate carbon emissions is 12,379 tCO<sub>2</sub> a year<sup>5</sup>.

4.2. This has been compiled from energy, water and fuel data associated with corporate buildings, schools, leisure centres, streetlighting and the Council's fleet. These are described in this report as the Council's direct emissions, which align to the Greenhouse Gas Protocol for scope 1 and 2 emissions.

4.3. The Council's reported emissions have reduced by just over 25% in the 5-year period covered by the data. Factors driving that reduction include decarbonisation of the national electricity grid, local improvements to buildings, equipment and fleet, a decrease in the size of the Council's staffing, rationalisation of the Council's portfolio of buildings, and changes to working patterns post-COVID. Corporate decarbonisation projects have also contributed to that reduction, further detail on these projects is set out in Table 2

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[https://councilmeetings.lewisham.gov.uk/documents/s115534/MTFS%20Appendix%203\\_LBL%20climate%20budgeting%20July2024.pdf](https://councilmeetings.lewisham.gov.uk/documents/s115534/MTFS%20Appendix%203_LBL%20climate%20budgeting%20July2024.pdf)

<sup>5</sup> <https://lewisham.gov.uk/-/media/environment/lewisham-council-corporate-carbon-emissions-report-2022-23.pdf>

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below.

- 4.4. Emissions associated with Lewisham Council's housing stock were estimated as part of the Housing Retrofit Strategy using modelled Energy Performance Certificate data. The total annual emissions calculated by this method were 45,411 tCO<sub>2</sub>.
- 4.5. The Government publishes annual data on emissions at a local authority area level<sup>6</sup>. The latest release covering the years 2005-2022 shows in 2022 total emissions in Lewisham were 629.4 kt CO<sub>2</sub>e, a reduction of 49% from the baseline year.
- 4.6. The Council's direct corporate emissions combined with emissions from Council-owned housing are 9% of the Government's reported emissions for the borough in 2022.
- 4.7. Work has been commissioned to measure the emissions associated with the Council's purchase of goods and services. Outputs from this work will be included in future Climate Budgeting reporting.

### 5. Climate Budget 2025/26-2027/28

- 5.1. The Council's ambition is to reduce corporate emissions to net zero by 2030 in line with the aspiration for the borough as a whole. The cost of achieving that ambition is significantly beyond existing budgets and setting year-on-year milestones for decarbonisation is difficult without long-term certainty on funding. The main source of funding for decarbonisation work has tended to be short-term competitive funding opportunities impacting on the ability to forecast a trajectory and establish long-term plans.
- 5.2. The draft Climate Budget below has been developed in line with emerging practice across London Boroughs and the Greater London Authority.

**Table 1: Lewisham Council Corporate Emissions (all emissions tonnes carbon dioxide tCO<sub>2</sub>)**

| Emission source            | Reported Emissions 2022/23 | Reported Emissions 2018/19 | CO <sub>2</sub> Reduction since Baseline |
|----------------------------|----------------------------|----------------------------|--|
| Corporate Buildings        | 2,536                      | 3,721                      | 32%                                      |
| Schools                    | 4,945                      | 5,906                      | 16%                                      |
| Leisure centres            | 2,040                      | 3,561                      | 43%                                      |
| Fleet                      | 1,959                      | 2,349                      | 17%                                      |
| Streetlights               | 899                        | 1,266                      | 29%                                      |
| <b>TOTAL SCOPE 1 AND 2</b> | <b>12,379</b>              | <b>16,803</b>              | <b>26%</b>                               |
| Council Housing            | 45,411                     |                            |  |

**Table 2: Corporate Emissions: estimated costs and 3-year budget**

| Emission source     | Estimated decarbonisation Costs | Value of Decarbonisation Projects since 2019/20 | tCO <sub>2</sub> Savings Delivered by Decarbonisation projects | Estimated 3-year Budget 2025/26-2027/28 |
|---------------------|---------------------------------|---|--|---|
| Corporate Buildings | £31,000,000                     | £2,773,790                                      | 208  | £3,317,160                              |
| Schools             | £135,000,000                    | £2,640,300                                      | 199  | £6,925,493                              |

<sup>6</sup> <https://www.gov.uk/government/collections/uk-local-authority-and-regional-greenhouse-gas-emissions-national-statistics>

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| Emission source            | Estimated decarbonisation Costs | Value of Decarbonisation Projects since 2019/20 | tCO2 Savings Delivered by Decarbonisation projects | Estimated 3-year Budget 2025/26-2027/28 |
|----------------------------|---------------------------------|---|--|---|
| Leisure centres            | £3,000,000                      |   |  |   |
| Fleet                      | £50,000,000                     |   |  |   |
| Streetlights               | £5,000,000                      |   |  | £5,000,000                              |
| <b>TOTAL SCOPE 1 AND 2</b> | <b>£224,000,000</b>             | <b>£5,414,090</b>                               | <b>407</b>   | <b>£15,242,653</b>                      |
| Council Housing            | £470,000,000                    | £9,642,000                                      | 213  | £20,882,353                             |

- 5.3. These figures are not confirmation of the use of budgets in this way and each individual project will be subject to decision-making in line with the Council's constitution taking account of other pressures at that time.
- 5.4. In practice there is no hard and fast demarcation of what a decarbonisation project is. Repairs and maintenance work that improve building fabric or heating can benefit efficiency and reduce carbon emissions. However, there is no systematic data collection that identifies and proportions out spend and carbon savings delivered through this activity. For the purposes of this exercise decarbonisation projects have been restricted to those specifically developed with decarbonisation as a primary focus.
- 5.5. The cost of decarbonising corporate buildings is based on a 2022 heat decarbonisation plan of 21 operational and office buildings, which includes the Council's main office and service buildings. Further work to scope out the costs of decarbonising the wider corporate estate has been identified as a priority in the Council's recent Asset Management Strategy.
- 5.6. The cost of decarbonising schools is based on a 2024 heat decarbonisation plan which included all the Council's maintained schools. It is considered to be an accurate estimate although further site-specific detailed surveys would be required for individual work packages.
- 5.7. The value of decarbonisation projects delivered since 2019/20 is based on a combination of grant and match funding. The proportion of external grant for decarbonisation projects on corporate buildings and the schools' estate is 68%. The proportion of external grant supporting delivery of housing decarbonisation projects is 31%. This reflects the alignment of the housing grant-funded works with existing commitments in the Housing Capital Programme.
- 5.8. The calculation of carbon savings from decarbonisation projects delivered is based on methodologies for reporting on grant funding, which for the Public Sector Decarbonisation Scheme uses manufacturer specifications for installed technologies. Actual savings result from the ongoing use of buildings and these can be impacted by changes to the intensity of use of a site or other modifications to buildings.
- 5.9. Estimated budgets are based on a range of sources including confirmed grant funding and grant funding bids where the outcome is not yet known but specific programmes of work have been developed. It also includes forecasts of expenditure from the Council's Corporate Estates Maintenance Programme, the Schools Minor Works Programme and S106 Carbon Offset Funds. The figures are estimates based on current practice and funding for individual projects will be subject to the Council's decision-making processes as set out in the Constitution.

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- 5.10. The estimated budget for housing is based on the recent application to the Government's Warmer Homes Social Housing Fund Wave 3 and includes £11,441,176 grant funding and £9,441,177 match funding from the Housing Revenue Account for the three years 2025/26-27/28.
- 5.11. The forecast budget for Streetlights is funding to convert the current streetlighting to LED. This would be expected to reduce emissions by two-thirds. Following completion of this work full decarbonisation of streetlighting would be reliant on decarbonisation of the UK national electricity grid.
- 5.12. The impact of the estimated future expenditure in terms of carbon reduction will be subject to a wide range of factors. As outlined above the forecast expenditure omits a range of other activity with the potential to decrease carbon emissions including maintenance, rationalisation of the corporate estate and national actions such as further grid decarbonisation. A 'low reduction scenario' based only on the estimated future expenditure and a 'high reduction scenario' projecting the impact of expenditure to the end of 2027/28 suggests the following range of emission reductions:
- "Low reduction scenario" 33% reduction against the 2018/19 baseline,
  - "High reduction scenario" 40% reduction against the 2018/19 baseline.

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