

Internal Audit Final Report

Depute Chief Executive

Climate Change Plans and Implementation

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	5
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	0

Distribution:

Chief Executive
Depute Chief Executive
Executive Chief Officer – Communities and Place
Executive Chief Officer – Education and Learning
Executive Chief Officer – Health and Social Care
Executive Chief Officer – Property and Housing
Executive Chief Officer – Performance & Governance
Executive Chief Officer – Infrastructure, Environment & Economy
Climate Change Manager
Project Manager (Climate Change and Energy)
Energy Manager
External Audit

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Report Ref: HPG14/001
Draft Date: 21/08/23
Final Date: 13/09/23

1. Introduction

1.1 The Climate Change (Scotland) Act 2009 and the subsequent Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 introduced binding targets and legislation to reduce Scotland's emissions to net-zero by 2045 and placed specific duties on public bodies relating to climate change. The Act requires that a public body must, in exercising its functions, act:

- In the way best calculated to contribute to delivery of the Act's emissions reduction targets;
- In the way best calculated to deliver any statutory adaptation programme; and
- In a way that it considers most sustainable.

The audit looked at the plans the Council has put in place to ensure that it meets its obligations as set out in the legislation.

1.2 The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires all public bodies to submit an annual report detailing their compliance with the climate change duties detailed above. The audit examined compliance with this requirement.

2. Main Findings

2.1 *Planning arrangements*

This objective was partially achieved. The Council's Programme 'Our Future Highland' sets out the vision and key strategic priorities for the period 2022-2027. Sustainability is at the heart of the Programme and one of the priorities is centred around 'A Sustainable Highland Environment' and accelerating our response to the climate and ecological emergency. The Corporate Plan provides the framework for the delivery and monitoring of the Programme and sets out measures and actions relating to the achievement of net zero targets.

Where relevant, Service Plans for 2022/23 contained service delivery priorities which are in line with delivery of the strategic priority mentioned above. At the time of the audit, Service Plans

for 2023/24 were not yet available for examination and therefore it is not possible to state whether there are appropriate links to our climate change obligations (see action plan H1).

In terms of climate change specific plans, the Carbon Management Plan 2013-20 (CMP) set a target of reducing carbon emissions by 3% per annum or 21% by April 2020. Emissions actually fell by 39% during this period therefore exceeding the targets set out in the CMP. Whilst some of the reduction was as a result of projects and initiatives set out in the CMP, a significant proportion can be attributed to the shift nationally to greener electricity and the resulting reduction in the emissions conversion factor for electricity.

The Net Zero Strategy was approved by full Council on 29/06/23 and it sets out a route map to net zero with a target of 2045 which is in line with the legislation. The strategy was developed using a cross service collaborative approach with 7 thematic groups set up to take forward various workstreams (The Waste & Circular Economy thematic group has now been amended to 2 separate thematic groups):

- Built estate & energy
- Social housing/HRA estate
- Fleet & staff travel
- Waste & Circular economy
- Procurement & community wealth building
- Planning, land use & environment
- Capital programme & net zero funding.

A series of workshops were held to provide Members with an in-depth knowledge of the work being developed and the challenges and complexities of delivering net zero within each thematic strand. Plans to take forward the actions within each thematic group have not yet been finalised but these will form part of the action plan which is currently in development (see action plan H2).

Although there was no formal strategy or plan in place between 2020-2023, ongoing activity and planning in relation to climate

change continued within the Climate Change & Energy Team and more widely across the Council during this period.

The Climate Change Adaptation Programme 2019-24 sets out the Scottish Governments 5-year programme for climate change adaptation. The Council reports on how it is contributing to this programme in the annual Public Bodies Climate Change Duties Report (see 2.2) and is an active partner in the Highland Adapts initiative. The development of an adaptation strategy, setting out how the Council will plan, adapt, and build resilience to the impacts of climate change, has been identified as a key priority within the Net Zero Strategy but as yet a timescale for this has not been set (see action plan H3).

2.2 *Monitoring and reporting*

This objective was partially achieved. A Public Bodies Climate Change Duties Reports had been submitted by Highland Council annually since the legislation came into force in 2015. The additional information requirements set out in the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020 had been addressed in the 2021/22 report.

It was reported to the Climate Change Committee on 16/03/23 that the current process for collating emissions data is cumbersome with data collected manually from various teams across the Council which means there is potential for data to be missed or incorrectly input/calculated. Work is currently underway in conjunction with both Aberdeen City and Aberdeenshire Council to adopt data reporting software which will allow both the reporting and management of total corporate emissions to be reported in a more detailed and consistent manner. Work is also underway to develop a revised baseline against which carbon emissions can be more accurately measured (see action plan H4).

There are currently no measurable outcomes in place for the Council's Net Zero Strategy but a fully costed action plan is being developed and is due for consideration in December 2023. The plan will outline clear workstreams for each thematic group and will establish detailed targets and KPIs for all actions and targets (see action plan H2). An overview of monitoring and reporting

arrangements has been set out in the Net Zero Strategy, but these cannot be evaluated until they are fully operational.

There are 7 measures set out in the Corporate Plan which relate specifically to the achievement of net zero targets, but 4 of these have not yet been fully developed and targets have not been set. These are linked to the Net Zero Strategy Action Plan and will be finalised as part of its development (see action plan H5).

There is a 'Climate Change and Ecological Emergency' risk within the Corporate Risk Register which states that the Council 'must adapt to the potential impacts of climate change and build resilience in its own operations and in its communities'. Its current risk rating is B2 which is above the corporate risk appetite but there are planned actions to manage and reduce the overall risk. The target date for 2 of these actions has now passed but the actions have not yet been completed:

- CR7.4 - Develop net zero strategy and action plan with quarterly progress updates to Committee (target date 31/03/23)
- CR7.5 - Agree target date for net zero corporate carbon emissions with quarterly progress updates to Committee, beginning with the energy performance benchmarking of Council properties (target date 31/01/23).

It is noted in the 'Review of Corporate Risks' report, which went to Audit & Scrutiny Committee on 15/06/23, that these target dates are to be reviewed (see action plan M1).

2.3 *Policies and procedures*

The aim of this objective was to ensure that relevant internal policies and procedures had been aligned with the Councils climate change plans so that the stated outcomes could be delivered. No testing was carried out in this area as it is too early to assess whether or not internal policies and procedures have been brought in line with the Net Zero Strategy.

3. **Conclusion**

- 3.1 The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 introduced ambitious carbon emissions reduction targets for

public bodies with the requirement to reach net zero by 2045. A cross service collaborative approach has been taken to move the Council forward in terms of achieving this target and this is reflected in the Council's Programme, Corporate Plan and Net Zero Strategy.

- 3.2 Work was reported as ongoing to improve the accuracy and collation of emissions data, this will allow both the reporting and management of total corporate emissions to be reported in a more detailed and consistent manner, and aid development of a revised baseline against which carbon emissions can be more accurately measured. In order to meet these targets, it is essential that an action plan (including all costs) is completed in line with the December 2023 target and then monitored and reported according to the arrangements set out in the Net Zero Strategy. There should be a clear link between the Net Zero Strategy and Service Plans as this is very much a corporate strategy and its success is dependent on it being embedded across all areas of the Council.
- 3.3 The audit was conducted at a time when the Council's climate change plans were being updated and therefore, it was not possible to properly assess whether they would ensure that the obligations set out in the legislation would be met. It has therefore been agreed to carry out a follow-up audit in Q3 2024/25 and annually thereafter to review progress against the strategy and action plan. The requirement for an annual audit is noted as a priority action within the Monitoring & Reporting section (page 83) of the Net Zero Strategy.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
H1	High	Service Plans for 2023/24 were not available at the time of audit testing and therefore it is not possible to state whether there are appropriate links to our climate change obligations.	2024/25 Service Plans should be linked to the Net Zero Strategy Action Plan.	ECOs to address for their Service.	All ECOs	30/06/24
H2	High	There are currently no measurable outcomes in place for the Council's Net Zero Strategy but a fully costed action plan is being developed and is due for consideration in December 2023.	An action plan, covering all activity, including costs where applicable and measurable outcomes, should be ready for consideration at meetings of the Climate Change Committee and The Highland Council in December 2023. The action plan should include actions from across all thematic groups.	Agreement at ELT in August that inputs were required from Thematic Groups to achieve the target date. It was also agreed that there would be a Board meeting scheduled to progress, with draft action plans to be provided by each thematic group.	All ECOs	31/12/23
H3	High	The development of an adaptation strategy has been identified as a key priority within the Net Zero Strategy but as yet a timescale for this has not been set.	A timescale for the development of a Highland Council adaptation strategy should be set and produced in line with this timescale.	A timeline will be included within the Net Zero Action Plan, but this is a separate piece of work dependent on available staffing resource.	Climate Change Manager	31/03/24
H4	High	The current process for collating emissions data was reported as cumbersome with data collected manually which means that it is subject to human error with potential for data to be missed or incorrectly input/calculated. <i>[At the time of the audit, work was underway in conjunction with both Aberdeen City and</i>	Ensure that there are complete, accurate and timely processes to capture and record emissions data. The systems and processes for collecting and collating emissions data (including baseline data) should be robust and effective in providing an efficient means to prioritise emission reduction activity, monitoring and management of emissions going forward.	Work with Aberdeen City/Shire is around Scope 3 emissions, discussions are ongoing around introducing this for Highland. Current system involves a lot of manual processes. Would welcome Internal Audit review of annual data submission to the Scottish Government.	Climate Change Manager	31/12/23

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
		<i>Aberdeenshire Council to adopt data reporting software]</i>	A timeframe for completion of this work should be determined to assist in the implementation of the Council's Net Zero Strategy.	A comprehensive data strategy will be developed to ensure that we can collect, store, manage, and use data to achieve our objectives. This will include developing governance surrounding data collection and handling newly developed data sources.	Climate Change Manager	31/03/24
H5	High	There are 7 measures set out in the Corporate Plan which relate specifically to the achievement of net zero targets, but 4 of these have not yet been fully developed and targets have not been set.	These measures should be updated as soon as the action plan has been finalised so that they can be monitored and reported effectively.	Targets for each of these measures should be reported to the Governance Programme Board for Net Zero by the Thematic Group leads.	All ECOs	31/12/23
M1	Medium	The target date for 2 of the mitigating actions for the Climate Change and Ecological Emergency' risk in the risk register (CR7) has now passed but the action has not been completed.	The target dates for these mitigating actions should be reviewed and updated accordingly.	Risks have been reviewed and updated to tie in with the Net Zero Strategy.	Climate Change Manager	Complete