

GOVERNANCE AND AUDIT COMMITTEE

Date of Meeting	Wednesday, 10 th April 2024
Report Subject	Assurance and Risk-Assessment Review Report
Report Author	Chief Executive

EXECUTIVE SUMMARY

This report summarises Audit Wales findings in the areas where they have undertaken more detailed Assurance and Risk Assessment work. Audit Wales will also produce an Annual Audit Summary that will summarise all their audit work undertaken since their last Annual Audit Summary in January 2022.

For this review Audit Wales focused on the following areas at the Council:

- Implications of the Local Government and Elections (Wales) Act 2021 including self-assessment arrangements
- Carbon reduction plans

The Assurance and Risk Assessment project has been ongoing throughout the year. We held a workshop with the Council officers in February 2023 at which we shared emerging findings in relation to some aspects of this work. We also used the workshop to gather the perspectives of senior managers on the key audit risks in relation to the Council and to inform our forward planning.

RECOMMENDATIONS

1	That the Governance and Audit Committee is assured by the content and observations of the Auditor General for Wales' Assurance and Risk-Assessment Review Review.
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REPORT DETAILS

1.00	EXPLAINING THE ASSURANCE AND RISK-ASSESSMENT REVIEW REPORT
1.01	This report summarises Audit Wales findings in the areas where they have undertaken more detailed Assurance and Risk Assessment work. Audit Wales will also produce an Annual Audit Summary that will summarise all their audit work undertaken since their last Annual Audit Summary.

	<p>During this review, Audit Wales focused on the following areas at the Council:</p> <ul style="list-style-type: none"> • Implications of the Local Government and Elections (Wales) Act 2021 including self-assessment arrangements • Carbon reduction plans
1.02	<p>Implications of the Local Government and Elections (Wales) Act 2021 including self-assessment arrangements</p> <p>Overall Audit Wales confirmed that The Council is putting in place arrangements to assure itself that it is meeting the requirements of the Local Government and Elections (Wales) Act 2021. There were no recommendations for improvements reported.</p>
1.03	<p>Carbon reduction plans</p> <p>Audit Wales reported that the Council has a clear vision and strategic support for its approach to decarbonisation and net zero by 2030, articulated in its decarbonisation plan and its corporate priorities and recognises the challenges between its current emissions and achieving net zero by 2030 but developing better data on the cost and carbon impacts of its interventions would support it in the prioritisation of its resources.</p> <p>For the detailed finding refer to page Appendix A, paragraphs 13 – 20.</p>
1.04	<p>Overall there was one recommendation in relation to Carbon Reduction.</p> <p>R1 - In order to meet its net zero ambition, the Council needs to fully cost its action plan and ensure that it is aligned with its Medium-Term Financial Strategy. If the Council does not develop more detailed business plans which will estimate the investment required, it is unlikely to be able to achieve its goal of becoming net zero carbon by 2030.</p> <p>In accordance with the external regulatory reporting protocol, this report has been presented to Cabinet on 14 March 2024 and Climate Change Committee. Hyperlink to these reports can be found in 5.01 background information.</p>
1.05	<p>In responding the Audit Wales report, Cabinet was advised that in terms of ensuring investment is committed within the Council’s Medium Term Financial Strategy, within the Capital Programme 2024-25 to 2026-27, a number of schemes are included which address our carbon commitments. Within proposed allocations, the Private Sector Housing Renewal, school building works and corporate property works commitments all include elements of decarbonisation where assets within properties are not automatically changed like for like but include consideration of low carbon alternatives as part of an ongoing maintenance regime.</p> <p>Within the proposed investment schemes are three projects – Joint Archive Facility, Croes Atti Residential Care Home, and Re:Fit framework.</p>

	<p>These schemes address the Council's carbon commitments.</p> <p>The joint archive facility and Croes Atti care home have been designed to be net zero carbon in operation (NZCio). This is in line with our climate change strategy's action to 'Design and refurbish buildings for NZCio'.</p> <p>The Re:Fit framework is a national procurement framework specifically for energy efficiency and renewable energy works across Public Sector buildings and land assets where the Council has committed £1.5 million investment over 2024-25 and 2025-26. This framework will accelerate the decarbonisation of our building assets while realising energy and cost savings from the energy works.</p> <p>Within the Medium Term Financial Strategy 2024/25, £2.684m has been incorporated within Streetscene and Transportation acknowledging the anticipated costs around fleet including the transition to Ultra Low Emissions Vehicles.</p> <p>These projects within the Council's Medium Term Financial Strategy and Capital Programme demonstrate that the Council is forecasting and developing businesses plans for investment towards its net zero goals.</p>
1.06	<p>In terms of the requirement for the Council to cost its action plan, Appendix B details some of the key actions within the Climate Change Strategy, along with high level financial implications and associated carbon savings. The 'Buildings' and 'Mobility and Transport' themes cover the Council's Scope 1 and 2 emissions (with some Scope 3). Currently, industry best practice has focussed on development of tools to effectively cost Scope 1 and Scope 2 emissions.</p> <p>Within the Buildings theme of the CCS, there is a projected target of a 60% reduction in emissions equating to 6,448tCO₂e by 2030. Emissions within this theme come from the energy used within our building assets – electricity, heating, and water. The main actions within this theme to contribute to this reduction are CCBu2 (reviewing and rationalising building assets), CCBu3 (improving energy efficiency within existing Council buildings) and CCBu5 (designing and refurbishing buildings for NZCio).</p> <p>As we do not have a clear and up-to-date picture of our building assets and the measures that can still be taken to decarbonise them, we have had to utilise high-level best practice tools that rely on assumptions around our building's condition.</p> <p>In order to achieve this reduction, there is an estimated capital cost in excess of £66million. This was calculated using best practice assumptions: a 20-30% increase to capital works programmes to design and build to NZCio standard and the utilisation of a high-level costing tool developed by Pembrokeshire County Council.</p> <p>Welsh Government have commissioned AECOM Building condition and energy surveys which will allow us to better understand the current condition of school buildings and the works that can still be undertaken to decarbonise them. This information will inform costing of works needed to further decarbonise these assets.</p>

	<p>The Council has also committed £1.5million over 2023-25 as part of Re:Fit 4 to provide energy efficiency and renewable energy works across its assets. This will realise carbon savings around 892tCO₂e with a seven-year payback.</p> <p>The Council has been investing in energy efficiency works for a number of years reducing carbon emissions from energy use by up to 60% based on a 2009 baseline. Many of these works have been financed through SALIX interest free loans and the recycling fund and Prudential borrowing.</p> <p>These works have been developed through robust business cases on an invest to save where energy efficiency and renewable energy investment returns cost savings and income streams.</p> <p>Further potential options include Power Purchase Agreements for renewable energy installations whereby a business agrees to purchase electricity directly from an energy generator instead of purchasing electricity from the grid. With the already committed works there is confidence that a better understanding of financial commitment to decarbonise this theme can be determined.</p>
1.07	<p>Within the Mobility and Transport theme of the CCS, there is a projected target of 80% reduction in emissions equating to 5,372tCO₂e by 2030. Emissions in this theme come from fleet travel, business travel and employee commuting. The main actions within this theme centre around the transition of our fleet to ULEV, investing in EV charging infrastructure both publicly and corporately to facilitate this transition, and the development of a salary sacrifice scheme for employees for a ULEV vehicle.</p> <p>Financial costings within this theme are difficult to determine currently. The first phase of public EV charging infrastructure was rolled out in 2023 at a cost of £155k. This was funded by the On Street Residential Chargepoint Scheme (ORCS). £42k has been secured from WG for a feasibility study for Phase 2 which will advise on further potential investment.</p> <p>The Council's fleet vehicles cannot transition to alternative fuels without a clear vision of what infrastructure solutions may be needed to ensure front line operations are not adversely impacted. Costs exist with the provision and installation of EV charging infrastructure at corporate locations to facilitate this transition with the associated drawbacks such as the estimated cost of upgrading the grid capacity at Alltami depot to accommodate charging facilities.</p> <p>A feasibility study has been commissioned on the corporate estate to determine next steps with future service and aspirations including ULEV transition.</p> <p>Costs associated with the transition of Council fleet vehicles to ULEV is also unclear due to market fluctuations. The Council's current fleet model will be addressed in an Ultra Low Emissions Vehicle (ULEV) plan, and this will be informed by the feasibility study as mentioned above.</p>

	With the already committed works there is confidence that a better understanding of financial commitment to decarbonise this theme can be determined.
1.08	<p>It should be noted that every public sector body is experiencing the same difficulty with costing climate actions. As was detailed within our own Climate Change Strategy, this is due to a number of factors: the volatile financial climate, the changing energy prices, lack of ability or understanding to apply financials to non-quantitative factors (such as behaviour change), and an ever evolving and developing industry where we do not currently have all of the answers to mitigate our climate impacts.</p> <p>The Council continues to network within the Public, Private and Third sectors to keep abreast of good practice and developments both in terms of methodologies and technologies.</p> <p>The Council has a demonstrable track record of taking innovative action to achieve its long-term goals for example, investment in large scale renewables, working with universities to pilot research programmes, and collaborating with other public sector bodies to achieve shared outcomes. The Council will continue to do this in achieving its ambitious net zero goals.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>As reported to Cabinet, Capital investment is required to realise these actions, however the Council has a history of both invest to save, and utilising external funding streams to realise the aims around decarbonisation. The Council continues to ensure it is appraised with available external funding opportunities and adopts collaborative working to reduce costs where possible.</p> <p>Revenue resource will also be required to manage and implement some of these interventions. Compared to neighbouring authorities, the Council has limited dedicated resource for the programme, and officers' ability to lead on projects alongside their usual roles may be unsustainable and risk the progress of programme delivery.</p> <p>Business cases will continue to be developed for projects on an as and when basis.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Both Cabinet and Climate Change Committee received a copy of the report for endorsement prior to reporting this report to Governance and Audit Committee.

4.00	RISK MANAGEMENT
4.01	Findings from the Audit Wales are risk managed as part of regular monitoring.

5.00	APPENDICES
5.01	Appendix A: Audit Wales Assurance and Risk Assessment Review Appendix B: Estimated costings and carbon savings for key Climate Change strategy actions

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Cabinet Report – 14th March 2024 https://committeemeetings.flintshire.gov.uk/documents/s80332/Audit%20Wales%20Assurance%20Risk%20Assessment%20Report%20Carbon%20reduction%20plan.pdf?LLL=0</p> <p>Climate Change Committee Report – 19th March 2024 https://committeemeetings.flintshire.gov.uk/documents/s80497/Audit%20Wales%20Assurance%20Risk%20Assessment%20Report%20-%20Carbon%20reduction%20plan.pdf?LLL=0</p>

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Lisa Brownbill, Internal Audit, Performance and Risk Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: Lisa.brownbill@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	Audit Wales: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.