

## CLIMATE CHANGE COMMITTEE

<b>Date of Meeting</b>	25 <sup>th</sup> June 2024
<b>Report Subject</b>	Internal Audit – Climate Change, Environmental Sustainability and ESG (Environmental, Social & Governance)
<b>Cabinet Member</b>	Collective Responsibility
<b>Report Author</b>	Chief Officer (Planning, Environment & Economy)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

In December 2019 Cabinet approved a motion to develop a Climate Change Strategy setting key aims and actions for creating a net zero carbon organisation by 2030, supporting declarations made by Welsh Government for the Public Sector. The Climate Change Strategy was approved by County Council in February 2022 and focuses on the changes and impacts that can be made directly by the Council to reduce its own emissions and those of the wider community.

As part of the agreed Internal Audit Plan for 2021/2022, an internal audit of the Council's climate change, environmental sustainability and ESG (Environmental, Social & Governance) was undertaken.

The purpose of the audit was to assess a number of risks related to the management of climate change, environmental sustainability and ESG within the Council. The audit provided some level of assurance and also identified a number of areas where key controls were not generally adequate or effective.

This report details the risks identified and management actions to address the findings.

### **RECOMMENDATIONS**

1	That Members note the outcome of the Internal Audit report and support the actions to be taken to address the report findings.
2	That Members agree to a full review of the Terms of Reference for Climate Change Committee to ensure it addresses the risks identified within Member oversight and challenge of the programme.

3	In further addressing the risk identified within Member oversight and challenge of programme progress, that a standing item 'Programme update' be added to the Climate Change Committee agenda.
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE REPORT</b>
1.01	<p>In Dec 2019 Cabinet Members approved a motion to develop a Climate Change Strategy setting key aims and actions for creating a net zero carbon organisation by 2030, supporting declarations made by Welsh Government for the Public Sector. The Climate Change Strategy was approved by County Council in February 2022 and focuses on the changes and impacts that can be made directly by the Council to reduce its own emissions and those of the wider community.</p> <p>As part of the agreed Internal Audit Plan for 2021/2022, an internal audit of the Council's climate change, environmental sustainability and ESG was undertaken.</p> <p>The purpose of the audit was to assess a number of risks related to the management of climate change, environmental sustainability and ESG within the Council. The audit provided some level of assurance, and also identified a number of areas where key controls were not generally adequate or effective.</p>
1.02	<p>The climate change programme is a relatively new service within the Council, having been formed following the appointment of the Programme Manager in June 2021. Since this appointment, the Council has adopted a Climate Change Strategy, a governance structure has been implemented, behaviour change initiatives have been rolled out internally and externally, and additional resource has been secured to assist the delivery of the ambitious programme. However, it is important to note that working towards and embedding decarbonisation across the Council is not just the responsibility of those with 'Climate change' within their job titles, but all officers and Members in achieving the Council's carbon reduction aims.</p>
1.03	<p>The audit focussed on the following areas of possible risk:</p> <ul style="list-style-type: none"> <li>• Risk 1: Governance and reporting frameworks in place around climate change and other ESG priorities are not robust.</li> <li>• Risk 2: The Climate Change Action plan does not support the achievement of a net zero carbon Council by 2030.</li> <li>• Risk 3: Climate change and other ESG priorities are not considered as part of the Council's decision-making processes.</li> <li>• Risk 4: Reporting to the public around climate change and ESG priorities is not open and transparent and is not based on robust and accurate data.</li> <li>• Risk 5: Carbon emission reporting and data collection methodologies are not robust and are not in line with Welsh Government guidance.</li> </ul>

	<ul style="list-style-type: none"> <li>• Risk 6: Green finance / sustainable investment is not adequately considered in Finance and Treasury Management borrowing and investment decision making.</li> </ul>
1.04	<p>The audit report identified a number of areas that were managed well. These included:</p> <ul style="list-style-type: none"> <li>• the adopted Strategy which sets out the Council's key aims to achieve net zero carbon by 2030;</li> <li>• the calculation of baseline figures which the reductions are based on and the internal quality control process to oversee the accuracy of annual carbon data submissions to Welsh Government;</li> <li>• the Themed officer working groups who focus on individual strategy themes and actions;</li> <li>• the annual programme progress reports that are approved by Cabinet;</li> <li>• the transparency of information, communication and engagement with the public around our climate change initiatives.</li> </ul>
1.05	<p>The audit identified several areas for further improvement, which were:</p> <ul style="list-style-type: none"> <li>• Ineffective programme management controls – the testing could not determine what proportion of the of net zero gap manifests in each Themed action plan. Interdependencies between the action plans were not clear.</li> <li>• An uncosted action plan – while parts of the action plan have been costed, there are elements where costings have not been applied thereby creating a risk that the plan may not be deliverable due to insufficient funds being available.</li> <li>• Inadequate investment strategy – green finance / sustainable investment may not be adequately considered in Finance and Treasury Management borrowing and investment decision making.</li> <li>• Lack of Member oversight and challenge – The governance and reporting framework in place is not sufficiently robust - there is a risk of lack of clarity as to the role of Climate Change Committee in relation to the programme oversight and delivery.</li> <li>• Ineffective action plans – the themed action plans do not consistently support the achievement of carbon ambitions on time and on budget.</li> <li>• Ineffective risk management – risk that 'failures' regarding delivery within time, budget and expected outcome may not be promptly detected or clearly reported leading to failure to take remedial action.</li> <li>• Unclear identification of other Council strategies / decisions impacting Climate Change Strategy – risk that programme management are not aware of positive or negative delivery progress of other Council strategies with climate ambitions which may impact achievement of carbon ambitions.</li> </ul>
1.06	<p>Since the audit has been finalised, the following key actions have been agreed and progressed with respect to the areas for further improvement:</p> <ul style="list-style-type: none"> <li>• Ineffective programme management controls</li> </ul>

During 2024-25 the Climate Change Strategy will be going through a full review. This will give us the opportunity to apply learnings from the last two years of strategy delivery including real data on carbon reductions realised against actions that have been progressed. Our projections, targets and milestones will be reviewed to ensure that they are ambitious, but realistic. The themed action plans are currently being reviewed by the officer Working groups who are identifying interdependencies between each of the action plans.

- **An uncosted action plan**  
Where possible the current action plan has been costed. Best practice tools from other public sector organisations have been utilised to establish high level costings to decarbonise tangible assets. As described in the Council's response to the recent Audit Wales audit on the Council's carbon plan, the Welsh Local Government Association with Local Partnerships have commissioned the development of a tool that will assist in carbon action costing. Once this tool has been released, the Council will utilise it and, in the meantime, keep abreast of other methodologies that are relevant to the Council through its research and external networking.
- **Inadequate investment strategy**  
Since the audit findings stage, Finance team have provided Internal Audit with an investment update by Arlingclose which clarifies their position regarding green investment. The Treasury Management Strategy for 2025/26 will include reference to Green Finance and be presented for approval to Governance and Audit Committee.
- **Lack of Member oversight and challenge**  
The Audit report to be presented to the June Climate Change Committee and a discussion will take place to in relation to any changes required to address the risks identified in this finding. Following the June meeting, and the request of the Leader of the Council at May's Council AGM meeting, a full review of the Terms of Reference for Climate Change Committee is to be completed. In ensuring that the Committee are regularly appraised and given the opportunity to oversee and scrutinise programme progress, it is recommended a standing item be added to the Committee agenda.
- **Ineffective action plans**  
Work is underway within the Themed officer working groups to ensure all actions are SMART, have clear and measurable start and dates and key milestones. Officer attendance within these working groups has been sporadic leading to gaps in action updates where responsible officers do not provide an update. The Climate Change team are working with the Performance Risk Management team to investigate the use of InPhase Project Management system in order to assist with timely updates of the action plan and risk tracking.
- **Ineffective risk management**  
While there are a number of risks within the corporate risk register relating to carbon reduction programme, the audit identified that there were gaps in linking these risks to the project level to ensure

	<p>that the risks were adequately assessed. As with the previous risk, the use of the InPhase module will allow oversight of programme and project delivery and associated risks, as well as establishing their links to the corporate risks. As part of the action plan review, the officer working groups have started to identify the project delivery risks and mitigating actions to ensure remedial action can be taken where necessary.</p> <ul style="list-style-type: none"> <li>• Unclear identification of other Council strategies / decisions impacting Climate Change Strategy</li> </ul> <p>The Capital Business case template has been updated to consider carbon and environmental impacts. This template has not yet been adopted, and a review of the template and plan for its adoption will take place to ensure officers are familiar and understand the new requirements. Work has been underway for the last 12 months with University of Manchester piloting an updated Integrated Impact Assessment. This tool is required where a Committee report requires a decision that adds a new, or changes an existing, provision or service of the Council. This new tool has been launched and replaces the previous tool. Identification of all strategies and plans within each portfolio will be reviewed by Chief Officer Team to ensure completeness and that carbon impacts can be considered when these are reviewed.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p>Officer time from teams across the Council is needed within the Themed working groups to ensure that the Climate change strategy and action plan are maintained, current, and risks associated with individual actions/projects are identified and mitigated.</p> <p>The Climate Change Strategy review over 2024-25 will require time of both officers across the Council and Elected Members, to ensure that all are engaged and take ownership of the updated strategy for the Council.</p>

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	<p>The Climate Change Strategy review over 2024-25 will include engagement workshops with both officers and Members. There will also be engagement with the general public and other key stakeholders within Flintshire.</p>

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The recommendations will ensure that the Council addresses the risks identified in the internal audit report. Actions undertaken intend to minimise</p>

	the risk of failure in the Council's ability to meet its carbon reduction ambitions.
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<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Internal Audit Report Climate Change Environmental Sustainability and ESG

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<a href="#">Terms of Reference for Climate Change Committee</a>

<b>7.00</b>	<b>OFFICER CONTACT DETAILS</b>
7.01	<b>Contact Officer:</b> Alex Ellis – Climate Change Programme Manager <b>Telephone:</b> 01352 703112 <b>E-mail:</b> alex.ellis@flintshire.gov.uk

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Baseline Year:</b> The emissions that occurred in the period of 1<sup>st</sup> April 2018 – 31<sup>st</sup> March 2019 are what targets are based on and all future carbon emission calculations compared to.</p> <p><b>Carbon emissions:</b> Used interchangeably with greenhouse gas emissions; meaning emissions of carbon dioxide, methane etc from human and natural activities and sources. Wider greenhouse gas emissions are collectively calculated into a 'carbon dioxide equivalent' displayed as CO<sub>2</sub>e.</p> <p><b>Carbon Footprint:</b> A measurement of the council's carbon emissions during a defined period of time, given as tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e)</p> <p><b>Decarbonisation</b> – Reduction of carbon emissions that result from an activity, material or product</p> <p><b>Greenhouse Gas/ Carbon emissions:</b> Emissions of carbon dioxide, methane etc from human and natural activities and sources. Wider greenhouse gas emissions are collectively calculated into a 'carbon dioxide equivalent' displayed as CO<sub>2</sub>e.</p> <p><b>Methodology:</b> How the collected raw data used for carbon emission calculations is managed and rated in terms of its reliability. This is governed by Welsh Government.</p> <p><b>Net Zero Carbon:</b> Emissions of greenhouse gases are balanced by the removal of greenhouse gases from the atmosphere such as by trees, peatland and carbon capture and storage technologies.</p>