

INTERNAL AUDIT FINAL REPORT

Place

NET ZERO

Issued to: Director of Environment and Public Protection
Assistant Director- Carbon Management and Greenspace
Head of Finance-Environment & Community Services and Chief Executive Department

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

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INTRODUCTION

1. This report sets out the results of our audit of Net Zero. The audit was carried out as part of the work specified in the 2022-23 Internal Audit Plan agreed by the Audit and Risk Management Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. In June 2019, the United Kingdom became the first major economy to pass a law to bring all Greenhouse Gas (GHG) emissions to Net Zero by 2050. In response a Council Motion on 15th July 2019 unanimously approved a ten-year plan to ensure that the council will have Net Zero carbon emissions by 2029. This target applies to LBB's organisational emissions only (i.e. those which are directly within the Council's control). The Net Zero Action Plan charts the planned activities of LBB in reducing the organisational emissions to achieve Net Zero by 2029". The Council's Net Zero carbon target is now 2027 which was revised from 2029 at the Full Council meeting on 28th Feb 2022.
3. We would like to thank everyone contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 09/09/2022.
5. We identified the following key risks:
 - Failure to achieve Net Zero organisational emissions by 2027 due to inadequate planning
 - Actions do not align to available funding
 - Failure to embed Net Zero in business as usual meaning that changes are not sustainable

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AUDIT OPINION

6. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	3	0

SUMMARY OF FINDINGS

7. We observed some areas of good practice and sound controls:

- Failure to adapt the borough and Council services to our changing climate is included as a risk in both the LBB corporate risk register and Environment & Community Services (ECS) Risk Register. Management have identified existing controls which are in place and further actions to mitigate the climate change risk and they are listed on the risk registers. Most existing controls were satisfactorily evidenced and areas where further action is required, are listed in Recommendation 3.
- The Net Zero plan is the Council’s key response to reducing its emissions. The plan is comprehensive and includes its scope, approach, actions, and targets for delivery of the key initiatives, enabling factors and implementation strategy to achieve Net Zero.
- Performance against the Net Zero target is monitored, measured, and reported by the Carbon Management Team.
- The initiative to upgrade all street lighting to LED is almost complete with the last few remaining.

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- The procurement of 100% renewable energy that allows the Council to credibly report zero emissions for its electricity consumption is the most impactful solution for reducing most of the Council's scope 1 and 2 emissions and is therefore paramount to achieving the 2027 Net Zero target. The Greater London Authority and London Councils are currently developing a pan-London renewable PPA procurement option that would allow all London boroughs to access renewable energy in such a way as to achieve zero emissions on electricity use. The Carbon Programme manager advised that once available the council will consider procuring its electricity through the renewable PPA procurement option.
- There are no annual targets within the Net Zero plan, progress is measured against the 2018/19 baseline year and the Net Zero target. The data requirements are understood, and controls are in place to ensure relevance, completeness, accuracy, and timeliness of data capture.
- Progress of the Net Zero plan is reported in the Annual performance report which is presented to the Environment PDS committee, and it is also published on the Council's website.

8. Our review highlighted the following areas for further development:

- Some information recorded on both Corporate and ECS risk registers for the climate change risk is out of date.
- Reducing emissions for the Council owned buildings is one of the four key initiatives prioritised in the Net Zero plan. The energy used by council buildings (electricity & gas) accounts for 54.2% of the Council's emissions for 2021/22, reduction of these emissions is fundamental to achievement of its Net Zero ambition. Possible relocation of the Council HQ is planned however the carbon impact of this proposal has not been assessed.
- In addition to monitoring, measuring, and reporting the performance against the Council's Net Zero target, the Carbon Management Team also identifies and develops business cases for new initiatives and coordinates the initiatives already included in the Net Zero plan. In discussions, the Carbon Programme Manager stated that the Carbon Management Team lacks capacity to drive resource intensive initiatives.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and time scales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

1. Resources	
<u>Finding</u>	
<p>In addition to monitoring, measuring, and reporting the performance against the Council’s Net Zero target, the Carbon Management Team also identifies and develops business cases for new initiatives and coordinates the initiatives already included in the Net Zero plan. The Carbon Management Team previously had 3 Full Time Equivalent officers. Currently the team consists of a Carbon Programme Manager, supported by a part time Strategic commissioning officer whose key responsibility is supporting offsetting activities which includes advice on carbon reduction in council owned buildings in parks and a graduate trainee.</p> <p>In discussions, the Carbon Programme Manager stated that the Carbon Management Team lacks capacity to keep driving resource intensive initiatives. For example, a Council-wide Green Recovery Working Group (GRWG) has been established to build back greener, following the COVID-19 pandemic. The remit of the GRWG is to bring services together to identify further opportunities for environmental improvement. The Carbon Programme Manager informed that currently the GRWG meetings are paused as the Carbon Management Team has not had sufficient resources to keep driving the GRWG forward.</p> <p>No additional resources have been identified to deliver the revised target for Net Zero for scope 1 and 2 emissions from 2029 to 2027. The Carbon Programme Manager is due to leave the Council at the end of January 2023 which will further reduce the resources within the Carbon Management Team.</p>	
<u>Risk</u>	
Required actions do not align to available resources.	
<u>Recommendation:</u>	<u>Rating</u>
Management should review the actions required to deliver net zero and ensure that these can be delivered with existing available skills and resources, or alternative resourcing strategies developed.	Priority 2

DETAILED FINDINGS AND ACTION PLAN

**REDACTED
APPENDIX A**

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>Management is in the process of reviewing resourcing for the delivery of the Net Zero Carbon Action Plan and the council's wider policy commitments to carbon related projects.</p> <p>There are currently two vacant posts in the Carbon Management Team – the Carbon Programme Manager and the Environmental Programme Officer posts. The job titles and JD/PS for these posts are currently under review to ensure that they best meet the resourcing needs of the carbon programme. Once reviewed and agreed, it is intended to recruit to both posts, with recruitment activity commencing by the end of April 2023.</p> <p>Additionally, management are reviewing the availability of other sources of funding, such as the Carbon Neutral Fund and external grant funding, for the creation of posts to deliver specific projects that fall within the remit of the carbon management team (e.g. electrification of fleet within Scope 3 emissions).</p> <p>Accountable Manager: Assistant Director, Carbon Management and Greenspace</p>	<p>April 2023</p> <p>Ongoing</p>

2. Building emissions

Finding

Reducing emissions for Council owned buildings is one of the four key initiatives prioritised in the Net Zero plan. The energy used in Council buildings (electricity & gas) accounts for 54.2% of the Council’s emissions for 2021/22, reduction of these emissions is fundamental to achievement of its Net Zero ambition. Initiatives to reduce these emissions were dependent on the outcome of the Operational Property review. The recommendations from this review were agreed by Executive on 30/11/22 which included formal adoption of the Operational Estate Strategy and agreement for officers to progress various workstreams included in the report.

The Strategic Objective 1 of the Operational Estate Strategy includes the commitment to rationalise the estate used for the delivery of Council services through co-location or reconfiguration of retained assets to reduce their carbon impact. One of the workstreams agreed was to relocate the Council’s Headquarters to a new site.

Following the formal announcement of the possible relocation, we contacted the Carbon Programme Manager to ascertain what impact the move will have on the Council’s emissions from its buildings for both electricity & gas. He said that the carbon impact of the move has not yet been assessed. Following our meeting, he has requested the energy usage and carbon emissions information for the proposed new Headquarters but has not yet received this.

Risk

Failure to achieve Net Zero organisational emissions by 2027 due to inadequate planning.

Recommendation

The emissions for the proposed new Headquarters should be assessed to ascertain the Carbon impact of the move. Based on the outcome of this assessment the Net Zero plan should be reviewed and changed as required.
The Programme Board should ensure that carbon impacts are assessed when decisions concerning the office move are made.

Rating

Priority 2

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>Information to support the assessment of the impact of the proposed move of the council’s headquarters on the Net Zero Carbon Action Plan has been requested from the Programme Lead and will be reviewed by the Carbon Management Team once received, with this information informing any changes that then need to be made to the Net Zero Action Plan.</p> <p>The Programme Board (led by the Director for Environment and Public Protection) will be provided with the assessment information to inform future decision making.</p> <p>Accountable Manager: Director, Environment & Public Protection / Assistant Director Carbon Management & Greenspace</p>	<p>July 2023</p>

3. Risk registers

<u>Finding</u>
<p>Some information recorded on both the Corporate and ECS risk registers for the climate change risk is out of date or not reflective of the current situation.</p> <ul style="list-style-type: none"> One of the existing controls noted on the Risk register is the ‘Adoption of adaptations best practice as identified through London Climate Change Partnership, UK Climate Impacts Programme, and the Local Adaptation Advisory Panel’. The Carbon Programme Manager informed that this not in place yet and the Carbon Management Team are currently developing a briefing note to support the case for an adaptation strategy. Whilst some Council departments are delivering services to adapt to the changing weather (e.g. flood risks) there does not appear to be an umbrella strategy in place to bring everything together in a joined-up fashion.

DETAILED FINDINGS AND ACTION PLAN

- Another existing control on the Risk register is that a Council-wide Green Recovery Working Group (GRWG) has been established to build back greener, following the COVID-19 pandemic. The remit of the GRWG is to bring services together to identify further opportunities for environmental improvement. The Carbon Programme Manager informed that currently the GRWG meetings are paused as the Carbon Management Team has not had sufficient resources to keep driving the GRWG forward.
- One further action required noted on the Corporate Risk register as at 20/09/22 is the 'Roll out of Carbon Literacy Training to all staff to assist in the identification of climate change risks and opportunities at an individual, team and service level.' The Carbon Programme Manager advised that the Carbon Management Team delivered an online Climate Change staff webinar on 11th Nov 2021 attended at the time by 400 staff. The webinar was recorded and is still available on LBB's intranet site for all staff to watch. Currently no further training is planned.

Risk

Failure to achieve Net Zero organisational emissions by 2027 due to inadequate risk management.

Recommendation

Management should review and update the Climate Change risk on both Corporate and ECS risk registers to ensure that controls and actions listed accurately reflect the current arrangements in place, or additional actions required.

Rating

Priority 2

Management Response and Accountable Manager

The corporate and departmental risk registers will be reviewed to ensure that mitigations are appropriate and deliverable within existing policy and available resources.

Accountable Manager: Assistant Director, Carbon Management and Greenspace

Agreed timescale

July 2023

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.