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Dear Karen

## Assurance and Risk Assessment Progress Update – Carbon Reduction

Following on from our meetings earlier this year we said that we would more formally feedback on some specific aspects of our assurance and risk assessment work that we have undertaken. This letter provides a progress update on the Council's arrangements for carbon reduction.

This work was undertaken as part of our 2021-22 Assurance and Risk Assessment (ARA) project to help discharge the Auditor General's duties<sup>1</sup>.

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<sup>1</sup> These duties include under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act). It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015.

This feedback provides a point in time assurance and risk progress update on the Council's arrangements in this area. Overall, we found that:

The Council has a good understanding of the task it faces to achieve net zero by 2030, which is clearly articulated in its Decarbonisation and Renewable Energy Strategy, but the Strategy is not costed and does not identify the funding required to deliver all the activity within the Strategy

### Context

1. In July 2022, the Auditor General published Public Sector readiness for Net Zero Carbon by 2030, which looked at decarbonisation actions in 48 public bodies, including all councils. This report found uncertainty that the collective ambition for a net zero public sector by 2030 will be met. Our work identified significant, common barriers to progress that public bodies must collectively address to meet the collective ambition. We found that while public bodies are demonstrating commitment to carbon reduction, they must now significantly ramp up their activities, increase collaboration and place decarbonisation at the heart of their day-to-day operations and decisions.
2. In the report, the Auditor General makes the following five calls for action from public bodies:
  - strengthen your leadership and demonstrate your collective responsibility through effective collaboration;
  - clarify your strategic direction and increase your pace of implementation;
  - get to grips with the finances you need;
  - know your skills gaps and increase your capacity; and
  - improve data quality and monitoring to support your decision making.
3. The following paragraphs set out the findings of our local audit work on the Council's decarbonisation action plan. These findings sit within the wider context of the Auditor General's July 2022 report that calls for increased pace and stronger leadership across Wales in reducing carbon emissions.

## **What we looked at**

4. We undertook an assessment of the Council's arrangements to develop and deliver its Decarbonisation Plan between May and August 2022. We gathered evidence through interviews, document reviews and the Council's returned Call for Evidence for the Decarbonisation Baseline Review.

## **What we found**

5. The Council has a good understanding of this agenda, works strongly with partners and has dedicated staff resource to coordinate and progress this agenda.
6. The Council published its Decarbonisation and Renewable Energy Strategy in 2020. This strategy outlines the background, framework and key drivers for the decarbonisation agenda, along with the local issues and influences that will shape the Council's response and activity. The strategy also includes an action plan that outlines the planned activity to achieve net zero by 2030.
7. Currently, this action plan is not costed. Without a costed action plan that is aligned to the Medium Term Financial Plan, there is a significant risk that the Council will not meet the Welsh Government target of net zero by 2030.
8. Before costing its action plan, the Council is seeking additional information and allowing for more research and development work on emerging technologies to be completed.
9. This approach is being supported by the use of external consultants to provide the Council with specialist expertise to quantify the gaps between the Decarbonisation and Renewable Energy Strategy (DARE) and the Welsh Government road map that councils should adhere to when costing the action plan. This work has resulted in the Council receiving a 'Net Zero Bridging Report' which will inform the Council's next steps towards achieving net zero.
10. The Council is utilising two existing posts (the Energy Manager and Energy Officer) to manage carbon reduction work internally. The Council has additional resources available for three new posts, which will increase capacity to deliver this agenda.
11. Responsibility for the Council's net zero agenda rests with the Cabinet member with responsibility for Climate Change and Well-being. The scrutiny arrangements for this agenda were still being decided at the time of our fieldwork.
12. Partnership working is a key feature of the Council's work on carbon reduction. The Council leads on the Swansea Bay City Deal 'Supporting Innovation and Low Carbon Growth' programme, which includes the

Technology Centre at Baglan Energy Park and the ‘Homes as Power Stations’ project.

13. While costing its action plan, the Council needs to consider the balance between what is needed to achieve net zero by 2030 and what is achievable given available resources, time and funding.

## Recommendation

### Exhibit 1 recommendation

The table below sets out the recommendations that we have identified for the Council following this review

Recommendation
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 Plan.

Yours sincerely,

**Audit Wales**