



The Scottish Parliament Pàrlamaid na h-Alba

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Committee

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Dear Edward

Net Zero and climate change scrutiny

Thank you for your letter of 3 July 2023, seeking information on how Parliamentary committees can work together to scrutinise the Scottish Government's forthcoming draft Climate Change Plan (CCP). As you will be aware, scrutiny of the CCP does not fall within the Public Audit Committee's remit. However, recent scrutiny work undertaken by our Committee in relation to net zero and climate change may be of relevance to your Committee's work in this area.

We therefore agreed to write to you, setting out the key issues arising from our scrutiny of the Auditor General for Scotland's (AGS) report on [How the Scottish Government is set up to deliver climate change goals](#) and our scrutiny of the Major Capital Projects and Programmes (MCP) falling under the "Enabling the transition to Net Zero emissions and environmental sustainability" theme of the Scottish Government's Infrastructure Investment Plan. The Committee hopes that its scrutiny in these areas will help support your forthcoming scrutiny of the CCP.

On [18 May 2023](#), the Committee heard evidence from the AGS on his report, which focuses primarily on the governance and risk management arrangements that the Scottish Government has in place to deliver its net zero targets and adaptation outcomes. On [29 June 2023](#), we took evidence from the Scottish Government on its [September 2022 MCP update](#) with a focus on the delivery of net zero and climate

change ambitions. We then took evidence from the Director-General (DG) Net Zero on issues that were raised during both of these evidence sessions at our meeting on [7 September 2023](#).

Governance arrangements

The AGS's report is clear that the delivery of climate change ambitions is dependent on all eight DG areas embedding climate change considerations into their financial and policy decision making processes. The report states that the DG Net Zero is responsible for working with all DG's, and their respective directorates to ensure climate change is considered as part of the activities they lead on. During the evidence session, the AGS stated that the Scottish Government's governance arrangements—

“support a complex area of delivery that has many interdependencies across Government, in what might be essentially competing areas of policy”.

Exhibit 3 of the report sets out the Scottish Government's corporate and climate change governance arrangements. One of the key messages from the AGS's report is that the Scottish Government has improved how it organises itself to support the delivery of its climate change goals, but that further improvements to key aspects of governance are required. During evidence, the AGS stated that “action needs to be taken on governance and risk management to ensure that collaboration takes place”.

When giving evidence to the Committee, the DG Net Zero told the Committee that since the AGS's report had been published, the Scottish Government had “revised the terms of reference for the Global Climate Emergency (GCE) Board and established a new governance framework that more clearly sets out the roles of all the individuals involved in climate change delivery, including the role of the Deputy Director (DD) group, which we no longer see as being a pivotal part of the governance structure, but as support to the GCE board”. The Scottish Government's new governance framework can be found [on the Committee's webpage](#).

The Committee was concerned to read in the AGS's report that governance arrangements to help Scotland adapt to the impact of climate change are less developed than those for reducing emissions. During evidence, the AGS told us that comprehensive governance and risk management arrangements that bring parity to the work on adaptations and the work on climate change is required. The DG Net Zero confirmed during evidence that climate change adaptation is now “one of the three key pillars of the climate change programme that the GCE Board will oversee”. He also confirmed that the Scottish Government was still to formalise responsibility for the delivery of the changes required on adaptation across all sectors and that the development of the next climate change adaptation plan would include working on the production of a monitoring and evaluation framework.

The Committee highlights its concern that governance arrangements to support adaptations to climate change are not yet as fully developed as those in place to reduce emissions.

Cross-government collaboration

We heard from Audit Scotland during evidence that—

“There is a desire in the Scottish Government to have collaborative working, but the systems are not in place to support it”.

We also heard from Audit Scotland during evidence that there is a lack of direct reporting links between key Scottish Government bodies, such as the Global Climate Emergency (GCE) Programme Board, the Deputy Director network and the policy delivery boards and that there is a reliance on having the same individuals sitting on various groups.

The AGS’s report states that—

“frequent changes to complex, cross-cutting governance arrangements, and the lack of clear documentation, makes it difficult for teams across the Scottish Government to see where responsibilities lie and could hinder collaborative working on this cross-cutting priority area”.

During evidence, the DG Net Zero provided examples of how cross-government collaboration is taking place. One such example was in respect of how the Director of Budget and Public Spending from the DG Scottish Exchequer sits on the GCE Board, in addition to having “all the directors of all the sectors on that Board, as well as directors from DG Economy”. Previously in his evidence session, the AGS welcomed the DG Scottish Exchequer playing a more active role in climate change matters. However, during evidence, Audit Scotland also highlighted that “a lot of the work happens within policy boards and at directorate level and we just cannot see how those link in, so we cannot see how these things are connected”.

The Committee notes the progress that has been made to strengthen cross-government collaboration by making changes to climate change governance arrangements. However, we wish to highlight the comments made by the AGS during evidence that “there are some gaps, and some collaboration is happening, but there is a lot of work still to undertake” and that there is a need for greater transparency.

Lack of assessment of the impact of policies and spending on emissions

The AGS's report states that the Scottish Government does not routinely carry out carbon assessments or capture the impact of spending decisions on its carbon footprint in the long term. The report explains that this means that the Scottish Government does not know the impact of its policies or its spending on greenhouse gas emissions. During evidence, the AGS expressed the view that—

“...for many years, there has not been a clear enough alignment between spending plans and outcomes from spending plans in relation to climate emission reductions and the wider connection between budgets and the national performance framework.”

Policies

The AGS's report highlights that the Scottish Government does not assess how far the policies outlined in the CCP update will contribute to net zero. The report added that following recommendations from the Climate Change Committee, the Scottish Government is in the process of reviewing its emissions reductions pathways to net zero for the new CCP. We heard from Audit Scotland that—

“There is a commitment from the Scottish Government to consider the carbon impact of significant policies at an early stage, but the timescales for that are still not clear”.

During evidence, the DG Net Zero acknowledged this was a “a fair reflection of where we are at the present time” and confirmed that the weaknesses identified by the AGS and by the Climate Change Committee would be addressed in the forthcoming CCP.

The Committee is of the view that providing detail on the emissions that each policy in the CCP will deliver is an important aspect of the forthcoming CCP.

Spending and investment

Case study 1 in the AGS's report highlights work undertaken by the Fraser of Allander Institute in 2022, to look at improving assessment of the carbon impact of the Scottish Government's spending decisions and the Scottish Budget.

During evidence, the AGS stated that the research showed that:

“although work is going on, there has been a lack of alignment with regard to some of the carbon assessments that have been made and the Scottish budget.”

We also heard from the AGS that the Scottish Government “needs to be clear what public spending is contributing to managing the implications of climate change”.

The AGS’s report also states that “the Scottish Government does not know how much the policies proposed in the current Climate Change Plan Update will cost and so is uncertain whether sufficient money will be available to support the commitments it has made”. The report goes on to state that there is a legal requirement that the next version of the CCP is fully costed.

During the evidence session with Scottish Government officials on MCPs, we heard of underspends on particular schemes, where demand had not picked up as quickly as had been anticipated when initial budget allocations were set. Examples included bus priority investment, the heat network, the low carbon manufacturing challenge fund, the emergency energies technology fund and peatland restoration.

During evidence, the DG Net Zero told us that some of these schemes were demand led, and that demand had not materialised as expected. He commented that “the capital review that is underway just now will take a look at and be cognisant of capital across the piece, including in relation to net zero activity”. We also heard from the Scottish Government that some of the figures, such as those for the emergency energies technology fund were showing the cost to date, while the budget for the fund covers the whole of this Parliamentary session.

The AGS’s report notes that some progress has been made in considering climate change in budget planning and spending. The report also notes that DG Scottish Exchequer staff are working with other DG areas to gain a collective understanding of competing financial and policy pressures, policy affordability and the impact of spending on climate change.

During evidence, the Committee also explored how the Scottish Government planned to ensure that its net zero projects were viable and attractive propositions to investors. The DG Net Zero confirmed that his directorate is working closely with the DG Economy, whose directorate is “focused on identifying marketable and investable propositions, whether in Scotland or other areas”. The DG Net Zero also confirmed that, following the success of securing a “good level of private investment in the transformation of the bus fleet to a low-carbon fleet through pump priming with Scottish Government money”, a similar piece of work is being undertaken on electric vehicle charging points.

The Director of Energy and Climate Change told the Committee during evidence that private finance can be 'levered' in a range of ways. They also confirmed that there was "a role for the Scottish National Investment Bank in providing public sector money for projects and investments that are not commercially viable on their own". The Director of Energy and Climate Change also highlighted the work undertaken by Scottish Enterprise and other enterprise agencies to support investments.

The Committee considers that it is vital that all costings in the next Climate Change Plan are made following informed assessments, to ensure that the targets they support are realistic and achievable.

The Committee is also of the view that given the climate emergency—

- **urgent action should be taken where monitoring reveals that the rate of take up is lower than expected;**
- **the CCP should set out credible approaches to ensure take up of demand led schemes occurs at the pace required; and**
- **the Scottish Government must ensure that its net zero projects have access to funding in order to deliver on its climate change ambitions.**

Just Transition

During evidence, we heard from the AGS that:

"there will need to be prioritisation and difficult choices along the way to deliver a balanced budget and outcomes that meet the Scottish Government's policy objectives, which include ensuring a just transition, meeting climate change emission reduction targets and spending".

We asked the DG Next Zero how the Scottish Government plans to secure public participation and promote a shift in public behaviour, to ensure the take up of schemes that impose direct costs on the public such as domestic heating systems and electric vehicles. The DG Net Zero acknowledged that behavioural change and societal transformation "is probably the hardest thing to undertake as we head on our journey to next zero". He confirmed that this is part of the work of the GCE Board and the work of each of the teams across each sector in the Scottish Government.

The Committee asked the DG Net Zero to provide information on what grant assistance and resources are available at 'ground level' to help people make the transition to a different heating system and install home insulation. That information can be found [on the Committee's webpage](#).

The Committee strongly believes that the Scottish Government must continue to actively promote the support available to ensure maximum public participation in schemes to help achieve its ambitious net zero targets.

Risk management

The AGS's report states that the Scottish Government's climate change risk management arrangements remain underdeveloped. The report goes on to add that:

“Scotland's targets to reach net zero emissions and adapt to climate change will require deep and rapid change across the whole of society”.

In particular, the AGS's report highlights that the Scottish Government has identified a high risk of it not meeting its net zero targets and failing to adapt to the impacts of climate change. This concurs with the most [recent report of the Climate Change Committee](#), which also highlights that there is a high risk of the Scottish Government not meeting its climate change goals.

The AGS's report states that the GCE Board does not have risk management arrangements in place, despite a recommendation from a 2019 review that this should be a priority. The report highlights that this is a weakness that the Scottish Government must address. During evidence, Audit Scotland confirmed its surprise that the GCE Board had no risk arrangements in place, given its remit is to provide oversight and assurance of climate change at a corporate level.

One of the key messages in the AGS's report is that the Scottish Government's evidence base and processes to identify and score risks is not always clear and that actions to address risks are sometimes vague. We heard from the AGS that:

“...a number of risk registers at different levels in the Scottish Government outline actions to address the various risks in not achieving the Government's climate change goals. However, we found that those actions are sometimes quite vague and that it is not clear exactly what needs to happen, what the Government intends to happen and what the expected impact of that action would be.”

The Committee raised this issue with the DG Net Zero in evidence and asked how the Scottish Government is identifying, monitoring and reviewing risks so that there is clear sight of how they are being addressed. The DG Net Zero confirmed that a new structured risk approach has been put in place that mirrors the approach taken by the DG Economy at a corporate level and has “been cascaded through the sectors and their boards, and those risks are now flowing up to a climate-change-specific risk register”. The DG Net Zero added that he “was comfortable that [the Scottish Government] have addressed the specific points in the report, but we need to socialise that approach, so that it becomes normal activity”.

The Committee highlights its concern that several risk registers contained actions which were vague and unclear. While steps have been taken to address this, we consider this to be an area that merits further scrutiny.

Workforce plan and workforce capacity

The AGS's report states that the Scottish Government has identified issues of workforce capacity and capability as key challenges, at both organisation wide and DG Net Zero levels. The report goes on to state that—

“Some work has recently been done to explore resource requirements within DG Net Zero but it is difficult to calculate the impact of climate change policy on resource requirements across wider areas of government. All other DGs should consider how climate change ambitions may impact on their workforce requirements. It is unclear if the Scottish Government has enough staff with the skills needed to deliver on its climate change commitments.”

The report recommended that the Scottish Government ensure that a DG Net Zero workforce plan is in place by Spring 2023. When giving evidence, the DG Net Zero confirmed that a workforce plan has been produced and ratified by the Scottish Government's Executive Team. However, it is still not clear to the Committee whether the Scottish Government has the workforce capacity and capability, as a whole, to deliver on its climate change commitments.

The Committee notes that a DG Net Zero workforce plan is now in place. However, the Committee suggests that there may be merit in exploring the steps that the Scottish Government is taking to ensure it has the workforce capacity and capability to deliver its climate change commitments in all Scottish Government directorates.

I can also confirm that I and other Members of the Public Audit Committee are happy to participate in the Chamber debate on the draft Climate Change Plan.

I hope that this is helpful in assisting your Committee's scrutiny of the CCP.

Yours sincerely,

Richard Leonard MSP
Convener