



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit Committee

**Thursday 18 May 2023**

**Session 6**



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**PUBLIC AUDIT COMMITTEE**

**15<sup>th</sup> Meeting 2023, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

\*Sharon Dowey (South Scotland) (Con)

**COMMITTEE MEMBERS**

Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Craig Hoy (South Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Stephen Boyle (Auditor General for Scotland)

Rebecca Seidel (Audit Scotland)

Sally Thompson (Audit Scotland)

**CLERK TO THE COMMITTEE**

Lynn Russell

**LOCATION**

The James Clerk Maxwell Room (CR4)



# Scottish Parliament

## Public Audit Committee

Thursday 18 May 2023

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning. I welcome everyone to the 15th meeting in 2023 of the Public Audit Committee. The first agenda item is for the committee to consider whether to take agenda items 3, 4, 5 and 6 in private. Is that agreed?

**Members** *indicated agreement.*

### Section 23 Report: “How the Scottish Government is set to deliver climate change goals”

09:00

**The Convener:** The principal item on this morning’s agenda is for us to consider an important report, which the Auditor General published in April. The report relates to audit work that was conducted up until March, so it is very up to date in both data and analysis, and looks into how the Scottish Government is set to deliver climate change goals.

I welcome our witnesses. Stephen Boyle is the Auditor General for Scotland. Alongside him are Rebecca Seidel and Sally Thompson, both of whom are senior managers at Audit Scotland.

As usual, we have quite a wide range of questions to put to you, but before we get into them, I ask the Auditor General to give us an opening statement.

**Stephen Boyle (Auditor General for Scotland):** Many thanks, convener, and good morning to the committee. Today, I am bringing to the committee my report that looks at how the Scottish Government is set up to drive delivery of its national net zero targets and adaptation outcomes.

Climate change is the defining issue of our time, and the Scottish Government has set ambitious goals for tackling it. This is a complex policy area, with the causes and consequences of climate change sitting across a range of ministerial portfolios and Scottish Government directorates.

My report focuses on governance and risk management arrangements, which are always important but particularly so in the context of a complex issue that cuts across many areas of Government and where progress needs to be made quickly. Effective arrangements can help to support policy and financial decision making, and to identify risks to delivering actions on time and on budget. They also provide transparency and ensure that different parts of Government can be held to account for their progress.

Governance and risk management arrangements for climate change have improved since 2019, reflecting its increased priority. Nonetheless, my report highlights some weaknesses and gaps. Arrangements need to be strengthened to support the Scottish Government to deliver on its climate change ambitions, and my report outlines several recommendations to help it to do so, which include improving how key groups align with each other and co-ordinate their actions; ensuring that effective reporting arrangements are

in place to ensure that progress is delivered; and introducing more systematic processes to identify and manage the key risks to achieving climate change goals.

Addressing climate change will be a challenge for all of us, and the Scottish Government will be better placed to meet its goals by improving its own governance and risk management of climate change.

Sally Thompson, Rebecca Seidel and I will do our utmost, as ever, to answer the committee's questions, convener.

**The Convener:** Thank you very much. I am sure that we will return through the next hour or so to some of those questions on where there are gaps, where there is a lack of clarity and on how things are working.

I want to begin with a question on governance arrangements. We are really interested to understand, from the work that you have done, your sense of the extent to which cross-Government collaboration is taking place in order to progress both climate change actions and the management of competing priorities. We take evidence on issues such as Government expenditure on major capital projects and are now beginning to interrogate more the extent to which they contribute positively, or maybe even negatively, towards those net zero goals. Could you address that question of cross-governmental collaboration?

**Stephen Boyle:** I will start and then I will bring in Sally Thompson, who will support me on many of the questions related to governance this morning. Rebecca Seidel will lead on some of the risk management discussions.

The answer to your question, convener, is that that is taking place to an extent, and I will elaborate on that. The governance arrangements to support a complex area of delivery that has many interdependencies across Government in what might be essentially competing areas of policy and those that are aligned are undoubtedly complex. We set out in the report some of the complexity of governance arrangements and their scale and breadth.

Convener, in your introductory remarks, you mentioned the timing of our report. As we know, some of the ministerial arrangements have changed since we reported. I would also identify changes in some official-level governance arrangements in that we have now have a dedicated director general for net zero, and we welcome that post being made permanent following a period of interim arrangements. Some progress has therefore been made. At the executive team level in the Scottish Government, we are also seeing additional clarity of focus

through dashboard emphasis on some of the decision making on climate change.

There is that oversight, but progress has not been consistent with what has been set following the former First Minister's declaration of a climate emergency. The overall conclusion of our report is therefore that there is some misalignment between the target to deliver the climate change ambitions of 75 per cent reduction to net zero by the end of this decade and the legally binding target of 2045. Action needs to be taken on governance and risk management to ensure that that collaboration takes place.

I will hand over to Sally Thompson in a second, convener, but I have a final thing to say. In the report, case study 1 refers to some research that was undertaken on behalf of the Government and Parliament into the changes that need to be made. Ultimately—I know that this remains a key focus for the Public Audit Committee—the research looked at what spending is planned, how that is set out clearly and the impact that public spending will have on the budget to meet climate change ambitions. All of that needs to be much more clearly set out for the Parliament's scrutiny of budget setting arrangements.

There are some gaps and some collaboration is happening, but there is a lot of work still to undertake. I will stop there, convener, and Sally Thompson can come in on any of those points.

**Sally Thompson (Audit Scotland):** As the Auditor General said, a lot of the governance groups that have been created to deal with climate change—the global climate emergency response programme board, the climate emergency deputy director network and the policy delivery boards—are all about ensuring that there is cross-Government working and collaboration.

However, we have found that there is a lack of links between those bodies. There is no reporting from the deputy director network. The deputy director network and the policy delivery boards were set up to allow the programme board to provide assurance in that collaborative cross-Government working, but there are no direct links between those bodies. They are a bit infrequent or they are not as they set out in their terms of reference. There is a desire in the Scottish Government to have collaborative working, but the systems are not in place to support it, so it is difficult to get that assurance.

On your point about the budget, as the Auditor General said, the Scottish Government and the Scottish Parliament commissioned work to assess the carbon impact of budgets and spending. That is a complicated area and one in which the Government is trying to improve. The Government acknowledges that things are not perfect, and it is

aware of the gaps and where it needs to work to fill them.

**The Convener:** There is a sense—I picked this up from your report and the Scottish Government’s just transition commission’s recommendations—that there is a degree of impatience that the climate emergency was declared back in 2019, but, in 2023, some fairly basic building blocks are still not in place in a way that we would perhaps expect.

One of the things that struck me—this picks up on Sally Thompson’s comments—is exhibit 3 in the report, which refers to what you describe as “by exception” reporting being in place between key Government groups. In other words, there is no routine, systematic or regular collaboration in that sense. I am not saying that that happens by chance, but it does not routinely happen. Do you have any comments on that?

**Sally Thompson:** There is certainly a reliance on having the same individuals in various groups. The chair of the deputy director network sits on the programme board and the director general for net zero is linked to all parts of the corporate structure. There is a lot of reliance on individuals rather than on reports or on systematic structures. We highlight the risk of staff change leading to changes in or loss of knowledge. There are no clear roles and no accountability. Different Scottish Government staff have different understanding about those things.

The Scottish Government’s governance model, which it created in 2021, has not been updated, so we have created this report based on our understanding of how things work, which came from the terms of reference and our discussions with the Scottish Government. Last year’s internal audit report recommended that that should be done. The Scottish Government accepted that and set a deadline for doing it, but that still has not been done. I think that the Scottish Government would say that there are often capacity issues.

**The Convener:** Okay. Obviously, part of our role as a parliamentary committee with an interest in this area is to hold Government to account and it might be that we will consider taking up what you have just told us.

Another thing struck me in relation to the point about transparency. Does the GCE programme board publish minutes, for example? Does it have minutes? If so, are they in the public domain?

**Sally Thompson:** The board has minutes, but I do not believe that they are in the public domain. I think that we got them through the Scottish Government.

**The Convener:** Okay.

**Stephen Boyle:** On the point about transparency, exhibit 3 shows that a lot is going on in the different groups across Government that have an interest in climate change. To some extent, that is not surprising, given that, as you alluded to, dealing with climate change will require concerted effort across all policy areas. The point about “by exception” reporting is very important, as are the escalation arrangements, because those things mean that there is effective oversight.

That oversight must be transparent, so that Government can map out the situation for itself. As Sally Thompson said, that is our exhibit and we have pulled it together. That perhaps illustrates the need for Government to be clearer about how all its groups interact, which elements are informal and which elements require formal, public engagement and how best to report that. There is a need for a next step that sets out, for Parliament and the public, how accountability on climate change matters can best operate.

**The Convener:** On a similar theme, you draw attention in the report to the deputy director network, which you describe as a

“key climate change governance body”.

It seems to operate informally, so I again ask the basic question: does that network produce minutes?

**Sally Thompson:** No, it does not produce minutes. There is no paperwork. During our audit, the network was described to us as the “engine room” where a lot of the real delivery happens, but there are no minutes of meetings.

**The Convener:** My experience of such things is that it would be useful to understand whether it is an engine room or a talking shop.

**Stephen Boyle:** Quite, convener. I am careful in making the blanket assumption that every group must have that level of formality, with minute-taking. There will, rightfully, be times when officials from a public body convene to share ideas, but there seems to be a contradiction in the deputy director network.

These are senior civil servants who will have responsibilities across Government to assess how climate change is impacting on the policy areas that they lead on. With regard to the audit judgment on the network, there ought to be some formality, especially given the use of the phrase “engine room”, its connections into the global climate emergency programme board and the flow-through from that. All that requires an additional level of formality; minute-taking is one of those fundamentals.

**The Convener:** Thank you. It is helpful to get that on the record.

I will now invite the deputy convener, Sharon Dowey, to put some questions to you.

**Sharon Dowey (South Scotland) (Con):** Good morning. The report states:

“The most recent climate change governance map reflects arrangements at June 2021, despite significant changes to both corporate and climate change governance arrangements having taken place since then.”

It goes on:

“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.”

Do you have any examples of where collaborative working has been hindered?

**Stephen Boyle:** I will start and I will bring in Sally Thompson in a moment. First, I recognise that there are clearly some mitigations here. A global pandemic took place over the early years and I recognise that that will have diverted focus and attention away from some of the governance arrangements and some of the progress, which might have impeded collaboration.

I will give an example of something that is positive but which also demonstrates that there is more work to do. Sally might wish to elaborate on it or choose a different example. It is welcome that the Scottish exchequer directorate is playing a more active role on climate change matters—we set out some of that in the report—given its responsibilities with regard to collating tax policy and budget-setting arrangements for the Scottish budget. However, case study 1 highlights that there is more work to do around that area—based on the research that was commissioned for the Parliament and the Government—with regard to carbon assessments.

Inevitably, there will be really difficult choices that the Government, public bodies as a whole and we as individuals will have to make over the next decade about, for example, how we heat our homes, how we travel and the food that we eat. Those choices will come our way, but we will be better informed to make them as a result of having collaboration that is effective and clearly set out within Government so that we can make those decisions in a transparent and careful way.

That is the emphasis of the report that we are discussing today. Getting those fundamentals right in the set-up of governance and risk management will make some of the decisions clearer, fairer and more evidence based in the future. Sally might wish to elaborate on the role of the Scottish exchequer or other factors.

**Sally Thompson:** When the DG net zero was put in post, he looked to refresh the programme

board, and he has tried to work to improve the collaborative work there. He has included the DG exchequer in that, and they have commissioned the work to assess the impact of spend. However, 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.

**Sharon Dowey:** The report states that a workforce plan for the DG net zero area was expected in spring 2023. We are nearly halfway through May now. Is that likely to be produced on time?

**Stephen Boyle:** Since publication of the report, we have not had an update from the DG for the net zero directorate to positively confirm that a workforce plan has been produced. We will continue to track that, deputy convener, but it might be something that the directorate can confirm directly to the committee.

**Sharon Dowey:** The report states:

“workforce capacity and capability have been identified as key challenges by the Scottish Government”.

Can you tell us more about what the key challenges are and what steps the Scottish Government is taking to address them?

**Stephen Boyle:** Certainly. I will also bring in Sally Thompson to say a bit more about that. The dedicated leadership of DG net zero feels like an important step, with the civil service saying, “Here’s the leadership and here’s our intention around the capacity to deliver climate change goals and responsibilities across Government.”

However, it is clear that DG net zero will not deliver on the climate change ambitions on their own. They need to have that understanding both through their own workforce plan—because there was a migration of resources from existing Government directorates into a new directorate, bringing in skills and capacity—and through mapping forward, as it were, over the course of the 2020s, to the 75 per cent target, then onwards to 2045.

That will require a short, medium and long-term workforce plan with a skills matrix that identifies what skills and capacity the Scottish Government needs to deliver on its climate change ambitions. That will require difficult choices because, at the same time, the Scottish Government has committed to return civil service numbers to what they were pre-Brexit by 2026-27. There was an increase in resources to support Brexit discussions and then Covid.

There are complex areas to be mapped out and navigated through to create a workforce plan that can deliver on the climate change ambitions. What the Government publishes imminently—in spring



2023—for DG net zero will be pivotal. That also continues some audit recommendations for the Scottish Government that we mentioned in the section 22 report on it at the end of last year, including the need for a clear, transparent and comprehensive workforce strategy to support all the competing ambitions. There is much work to be done on that front.

**Sally Thompson:** The Scottish Government's capacity to deliver on climate change was raised at various interviews and it is often given to us as a reason for things not happening. I mentioned that the governance map has not been updated because of capacity issues, but there are other things as well. Often, terms of reference suggest that people make recommendations to various groups but we have no evidence of that happening. In particular, capacity issues were referenced in relation to adaptation. There is a lot less focus on how we adapt to the impacts of climate change that we already face. Those issues have been stated by the Scottish Government, in papers and interviews, as reasons for a lack of progress.

When we were doing the audit, there was a recruitment freeze in the Scottish Government, but I think that that has been lifted. Towards the end of the audit, a programme manager was brought in to work on the GCE programme board, and I think that the hope and expectation is that they will bring a lot of the structure and rigour that are lacking.

**Sharon Dowey:** Your report states:

“governance arrangements to help Scotland adapt to the impact of climate change are less developed than those for reducing emissions.”

Do you know why that situation has occurred?

**Stephen Boyle:** I can certainly build a little on the report, and Sally Thompson can say more. It may be for the Government to give its perspective on why the very clear focus on climate emission reductions is different from that on adaptations. That is the evidence that we have seen. Rebecca Seidel may wish to say a bit more about how that has manifested itself in some of the risk management arrangements. There is clear evidence that carbon emissions have been a high-profile risk for the Government in its corporate risk arrangements going back to the end of the previous decade, but adaptations have been less so.

It has been in the news over the past few days that global temperatures are going to increase beyond the ambition of 1.5°C by 2027. That will inevitably bring changes to the climate to which we will have to adapt. We are already seeing that in relation to some of the flooding arrangements. More severe and unpredictable storms will require changes in how we live our lives and in public

investment in flood defences and so forth, beyond what we are already committed to. That will require comprehensive governance and risk management arrangements that bring parity to the work on adaptations and the work on climate emission reductions. Both must go hand in hand, but we have not seen that yet, deputy convener.

**Rebecca Seidel (Audit Scotland):** We found that adaptation was not given as much priority in the Scottish Government's risk arrangements. In other words, the failure to adapt to the impact of climate change was given a lower risk score than the failure to meet net zero targets. That is largely because some of the impacts will be felt only in the much longer term, but the reality is that action to address them needs to happen now. Because the issue does not have such a high risk score in the risk registers, there is a risk that it will not be considered as much in executive-level decision making and, as a result, there is potential that it will not be treated as urgently as, say, the risk of not meeting net zero targets.

That is what we saw in the risk registers, and we also saw adaptation not being given as much focus in other areas. For example, it was not added as a formal workstream for the global climate emergency programme board until a couple of years after the board's establishment. Moreover, there is a performance management dashboard for emission reductions but there is none for adaptation. However, we know that the Scottish Government is working on that.

**The Convener:** Thank you very much. We now move to another area that has been highlighted in the report and which Willie Coffey has some questions on.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** I want to talk a little bit more about spending impacts, which we have touched on a few times already in this conversation. Can you give us a sense of how you see that issue panning out? Are you saying that the Government needs to be clearer about its spending targets to achieve the net zero targets and so on? You said a moment ago that, because of climate change, we are going to have to spend additional money on things such as flood prevention. Can you give us some perspective on the spending situation as we look forward and think about how we tackle these issues?

**Stephen Boyle:** Good morning, Mr Coffey. I am very happy to do that. Before I refer to the conclusions in this particular report, it might be worth referring again to a publication that I know the committee has heard a fair amount about over the past few weeks—the Scottish Fiscal Commission's report that looks towards 2050. There is some alignment in that respect with the target to deliver net zero by 2045, given the

commission's judgment that, if no changes or reforms focusing in particular on health and social care are made, that will consume a considerable part of the Scottish budget to the detriment of other policy areas.

As for some of the shorter-term implications, we have already mentioned case study 1 in the report, which shows 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. That is the sort of thing that provides the clarity that we need to see—and, indeed, that law makers in the Parliament will need to see in order to make budget choices. It needs to be clear what public spending is contributing to managing the implications of climate change.

That might mean difficult choices and prioritisations being made or more money having to be spent on adaptations such as the flood defences that Mr Coffey mentioned, and we would expect to see some alignment with the national outcomes in the national performance framework and the Scottish budget. Work is being undertaken and there is a recognition of the need to move in that direction. However, that is the level of clarity that we need to see, and we expect that approach to come to fruition in the 2024-25 budget cycle.

**Willie Coffey:** It is a matter not just of getting clarity, but of our having to face up to the need to shift the balance and emphasis in our budgeting.

**Stephen Boyle:** I agree. Meeting the legally binding obligations on Scotland to deliver net zero by 2045—five years ahead of other parts of the United Kingdom—will require focus through high-quality governance and risk management arrangements and clarity on and transparency in what public spending will deliver through carbon assessments and adaptations. These are the steps that we will all have to take and the choices that we will all have to make over the next few years.

**Willie Coffey:** You say in the report that no routine assessment takes place of the impact of policies and spend on emissions. Do we need to get a grip on that so that we can demonstrate that one leads to the other?

09:30

**Stephen Boyle:** Yes. As I have said a couple of times, work is undoubtedly happening. In 2024, the Scottish Government will publish its next climate change plan. That, along with the budget process, feels like an important milestone for giving clarity about what will happen, what spending will take place and the anticipated impact of that spending. Sally Thompson can say more about that.

**Sally Thompson:** As the Auditor General says, the draft of the next climate change plan is due at the end of this year and the plan will be finalised at the beginning of next year. There is a legal requirement that it be funded, and it has to be costed. Currently, it is uncostered, but there will have to be costs in it. The Scottish Government recognises the need for multi-year, on-going funding for work to address climate change, and work is going on with the DG exchequer to try to facilitate that.

The Scottish Government is also looking to improve the carbon impact in case study 1. The work that the Fraser of Allander Institute and ClimateXChange did is a building block to that, but it is not easy to get it right. 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.

**Willie Coffey:** You have covered a couple of areas that I was going to touch on. Thank you for that.

You also say that we need to be clearer about what policies will appear in the updated climate change plan. What do we need to do to make that abundantly clear?

**Sally Thompson:** The Climate Change Committee is the expert independent body that considers the climate change plans and targets. It has recommended for the past few years that the Scottish Government needs to be clearer about what its policies are and how they will impact on targets and outcomes. The CCC believes that there is a disconnect between the policies that we have and the emissions reduction pathways that are in the plan, so we need to be much clearer about how they come together. We do not know what that will look like in the forthcoming plan, but that is the intention.

**Willie Coffey:** I am glad that you mentioned the Climate Change Committee. Chris Stark gave evidence to our Local Government, Housing and Planning Committee a couple of weeks ago and his initial message was pretty positive. He started the discussion by telling us that we have basically achieved decarbonisation of the power system in Scotland but that the big-ticket items that remain—you mentioned a few of them, Stephen—are the impact on our buildings and homes, which is a huge issue, and transport. He also mentioned industry and agriculture. Those are the big issues in the second half of the marathon in which we are engaged and they will be the most difficult to deliver. Do you recognise that and accept that they are the biggest challenges that we still face?

**Stephen Boyle:** We absolutely recognise that, Mr Coffey. The CCC's report from December sets out three areas that will require real focus for

decisions and tough choices over the rest of this decade. Drawing on the work of Chris Stark and his team, we set out the conclusion that Scotland was ahead but it has slipped behind in the past few years and it has work to do to achieve its targets from the Climate Change (Scotland) Act 2009. That will remain an audit focus for us, alongside the science and climate change experts at the CCC.

We are giving consideration to how we heat our homes and I will brief the committee on that further in due course. To support the prioritisation, there needs to be effective scrutiny, transparency from policy makers and real clarity about the impact that some of the choices will have.

**Willie Coffey:** Chris Stark talked about having quantified delivery plans. That was a common theme throughout what he said. Do you recognise that? Are we short on quantifying what we want to achieve in a range of policy areas? If we take as an example the target to reduce car kilometres by 20 per cent by 2030, it does not take a genius to work out that we will need that to drop by around 3 per cent for the next seven years to get to the target. Is that the kind of thing that we need to quantify in order to be able to report on whether we have achieved the target?

**Stephen Boyle:** Absolutely. You would expect me, as an auditor, to say that we will have to draw on quantifiable evidence to make an assessment of progress, whether that is on car kilometres or tree planting. We have statistics and evidence available on the work that is under way. The Scottish Government tells us that it is currently planting 16,000 hectares of trees per annum against its target of 20,000, but the CCC recommends that the figure needs to be up at 45,000 hectares per annum. We know what the baseline is. Considering how to get to the level that will deliver on climate change reductions is the next step, and that has to be supported by quantifiable targets—and costed and funded, as Sally Thompson rightly mentioned.

**Willie Coffey:** Are you broadly satisfied that we are focused sufficiently on the quantification process across portfolio areas?

**Stephen Boyle:** We are satisfied that people know what needs to happen in terms of a budget that is aligned with outcomes across the national performance framework, as we have spoken about many times, and the carbon assessment implications of the various next steps in meeting the 2030 and then the 2045 interim targets. Those medium and long-term plans need to set out very clearly what steps can be measured for scrutiny purposes.

It is very likely that a plan that covers as many years as that will need to flex and change at

various points to allow for circumstances and external events, but being able to make those choices over the course of the next few years requires a clear baseline. We need to see that work in the climate change plan for 2024 and the budget for 2024-25. Those are very important next steps, Mr Coffey.

**The Convener:** Sometimes we as a committee consider elements of public life that are almost unique—for example, the national health service—but every Government in the northern and southern hemispheres has to face up to the global climate emergency.

To reiterate what I said at the start, your report came out last month, and is based on audit work that was carried out up until March of this year. In the report you say:

“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.”

Is that because it does not have a template to use? Presumably, other Governments are grappling with those kinds of measures and impact assessments and so on. Is there any good reason, learning from international experience, why those things could not be brought in and become an integral part of decision making in the Scottish Government?

**Stephen Boyle:** I will bring in Sally Thompson to say a bit more about our discussions with Government in the area. I think that the Government recognises that it needs to address that gap quite quickly, and it has set out its intention to do so in the updated climate change plan.

Our view is 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. You have heard us make that point on many occasions.

Sally can say a bit more about the international comparison. I would not want to leave the committee with the impression that we think that what you quote from our report is a simple or straightforward thing to do. We recognise the complexity of doing that, and there will be good reasons why the Government is not doing that; it is not just a case of the Government not realising that it needed to do that. We know that Government thinks carefully about the matter and is committed to doing that work, which mirrors the judgments of the CCC that that is an essential next step.

**Sally Thompson:** As the Auditor General has said, it is a complicated area and the Scottish Government is grappling with it. The Government

was proactively trying to solve that problem in the work that it commissioned with the Scottish Parliament, which we reference in case study 1.

It is not a problem that other Governments have solved. We have meetings with other UK audit agencies, and other UK Governments are in a similar state. The National Audit Office recently published a report on pathways to net zero in which it flagged issues around assessment of impact, monitoring arrangements and unclear roles and responsibilities. Similar issues exist across the board, but we did not audit those other Governments as part of the report.

**The Convener:** I guess that my horizons are a bit wider than the UK. For example, what are the Scandinavian Governments doing? What is happening in Germany or some of the African states? There is no point in every single Government in every single country carrying out its own from-the-start approach. Presumably, shared understandings of policy implications and how you can better measure the impact of the decisions that you are taking on your climate change targets should exist.

**Stephen Boyle:** You are quite right, convener. That would be an effective discussion, and we expect that it will continue to take place between the CCC and the Scottish Government, drawing on experts' views and an understanding of the United Nations sustainable development goals. They have that clear line of sight on good practice across the world and are factoring that into the updated climate change plan. As Sally Thompson mentioned, we all expect to see that work in the draft climate change plan at the end of this year through to its publication in 2024.

**The Convener:** Thank you. I will move things along now and invite Craig Hoy to put some questions to you.

**Craig Hoy (South Scotland) (Con):** Good morning, Mr Boyle, and thank you for an informative report into an important issue that, as you say, cuts across Government.

I want to look broadly at the risk management arrangements before drilling down into some of the progress, or lack thereof, in addressing the identified risks. You have referred to the Climate Change Committee. Your report states that it has recently reported that there is a "high risk" that the Scottish Government's

"targets to reach net zero emissions and adapt to climate change ... will not be achieved."

The report adds that that

"high level of risk has also been identified by the Scottish Government".

For the benefit of the committee, will you elaborate on the steps that the Scottish

Government is taking to address those identified risks?

**Stephen Boyle:** I will invite Rebecca Seidel to set that out in detail, maybe building on the point that she made a few minutes ago about the connection between adaptations and meeting climate change emission reduction targets.

**Rebecca Seidel:** As Mr Hoy rightly identified, the Scottish Government has identified a high risk of its both not meeting its net zero targets and failing to adapt to the impacts of climate change. Both those risks feature in the Scottish Government's corporate risk register, and they both score very highly in relation to their likelihood and severity if they were to occur.

On what the Government is doing to address those risks, 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.

Although a number of actions against a variety of risks are listed, which cover things that relate to staffing capacity, governance and the development of plans and strategies—a range of things—we found them to be quite vague, by which we mean that they are often not time bound, so it is not necessarily clear by which point the Government anticipates that they will be completed. The actions are not specific enough. The language might be around developing a plan or enhancing engagement, but it is not clear what the plan is, what it will include and with whom the Government will engage, by when and to what purpose.

As a result, one of our main findings—and one of the main recommendations related to it—is that the Government needs to be much clearer about which specific actions it intends to take to help reduce the risk that it has identified and to put in place a systematic process for assessing progress against those actions. We have also found that it is quite difficult to tell what impact those actions are having on reducing the risks that have been identified, as there is no consistent process for monitoring and tracking the actions, evaluating their impact and seeing whether they are helping with reducing those risks.

09:45

**Craig Hoy:** The risks are set out in the exhibits on pages 19 to 21 of the report. Exhibit 4 shows the Scottish Government's risk management structure; exhibit 5 is an overview of the Scottish

Government's climate change risk registers to which you have referred; and exhibit 6 is the Scottish Government's overview of key risks to achieving climate change goals. In light of your previous answer and those three exhibits, is your primary concern to do with the adequacy and scope of the risk registers and the measures that the Government is taking, or is it about the efficacy of the actions that it is taking?

**Rebecca Seidel:** It is probably both. Particularly since the appointment of a director general for net zero, the Government has done a good job of putting specific risk management arrangements in place for climate change, with a risk register being established for that director general area and an increased focus on risk management specifically in relation to climate change. However, we have found that there are still some gaps in the processes, which mean that they are not working as effectively as they could or should be, and that could lead to the risk of barriers to meeting the Government's overall climate change aims and objectives being missed in executive-level decision making. If these things do not feature highly enough on risk registers, or if the risks are not feeding through to the correct forums for discussion, there is a risk of their being missed or their not being given the focus or treated with the urgency that they require.

As you will see from the exhibits, the Government has put in place a number of risk registers. We would say that the appropriate risks have been identified in them, but the Government has to be more specific about the actions that need to be taken and to fully evaluate the impact of those actions. If it then feels that the actions are not having the desired impact, it should review them again.

We also make a recommendation on putting in place contingency plans for high-risk areas. In other words, if progress is not being made, what is plan B? If the actions that have been identified are not doing what they need to do, what do we then need to consider doing?

**Craig Hoy:** From the viewpoint of a layman looking at the structures set out in those three exhibits, is there a risk of all of this becoming too cluttered and our ending up with a mechanism that is too complicated when what we should have, if we are looking at progress, is a dashboard that is quite easy to read?

**Rebecca Seidel:** The issue is how all those things are linked, which brings us back to the point that the Auditor General and Sally Thompson made about governance arrangements not being as joined up as they could be and its not always being clear where the reporting lines are. The same applies to the risk management process.

It is good to see a number of risk registers at different levels of the Scottish Government, because it shows that risks are being discussed by the appropriate people at the appropriate levels, but this is also about ensuring that there are clear reporting lines and making the escalation lines very clear if it is felt that risks need to be escalated. It is not always clear where that will happen and where those matters will be escalated to.

**Craig Hoy:** The risk of not meeting the net zero targets has been given a high risk score, which means that it is very likely that they will not be achieved, and you state in the report that

"the impact of this would be severe."

What would "severe" look like?

**Stephen Boyle:** It is hard for me to be definitive about that. In fact, I would defer in that respect to the expertise of the Climate Change Committee, which highlighted in its report at the end of last year the high risk of emissions reduction targets not being met.

Perhaps I can offer an audit perspective on the matter, drawing again on the Fiscal Commission's report. If we do not meet some of the climate and budget challenges alongside the wider prioritisation that will be required in the Scottish budget to deliver on health and other priority areas, we will likely see public services under real strain and likely have to deal with significant weather events that will change how we lead our lives and which will require further public expenditure.

It is clear that the Government recognises that those are all challenges that, collectively, we need to meet over the rest of this decade and beyond. In relation to the climate change plan next year, we need clear governance arrangements and effective risk management arrangements to support decision making. Those are the next steps that we recommend in our audit report.

**Craig Hoy:** The term "just transition" is now commonly used, although I would venture to suggest that it is not commonly understood in all quarters. What checks are in place to ensure that net zero targets are met in a way that is fair to all, so that it truly is a just transition? For example, in the national economic interest and the national security interest, the UK spent £40 billion last year on oil and gas from Norway. Would it be right to have broader concerns that winding down Scotland's oil and gas sector would have an impact in that the transition would not necessarily be fair for all?

**Stephen Boyle:** Our audit did not look at future just transition arrangements, but we recognise that this is a dynamic area of public spending and

policy choices, as is reflected in the cabinet secretary structures that have evolved since we reported.

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 to mitigate climate change through adaptations. That needs to be done alongside all the other policy areas that have an impact on climate change but that involve public spending in their own right. The task will be to balance all those priorities. As our report sets out, Governments will have a better chance of meeting all those competing priorities if they have strong risk management and governance arrangements in place.

**Craig Hoy:** As you said, the report does not look at a just transition, but is the intention that you will take more of an interest in the potential impact on individuals and organisations if a just transition is not delivered on the Scottish Government's planned timetable? That might have an impact on the Government achieving its net zero targets.

**Stephen Boyle:** As you know, we keep our forward programme under regular review. We make adjustments for a range of factors, including a change in Government priorities and the implications for service users. In relation to our next steps in our climate change work, we are planning to do some further audit work relating to heat in homes, and we will give further consideration to what a just transition means and to the planned public spending on it, alongside future work on carbon emission reductions and adaptations. We will keep that under review.

**Craig Hoy:** Do you know why it took until December 2022 before a specific adaptation risk was added to the Government's corporate risk register? Was there a particular reason for that?

**Stephen Boyle:** I will ask Rebecca Seidel to cover that. It is likely that a range of factors will have been relevant, not least the CCC's report that drew attention to the matter. The Government's attention and focus have been on a range of factors, including the pandemic and its after-effects.

However, it is true to say that carbon emission reductions have been a priority. We saw that through our work relating to governance and risk registers. That risk has now been added, and we expect there to be additional focus on adaptations as we go forward. In relation to the timeline, Rebecca Seidel can come in to say whether she knows why it took until December 2022.

**Rebecca Seidel:** As the Auditor General said, that is reflective of the general lack of focus on

adaptations compared with the focus on the 2045 net zero target. I made the point earlier that that is largely because some of those impacts will not be felt until the much longer term.

The risks around adaptation appeared in the director-general net zero's risk register in March 2022, but as you point out, Mr Hoy, it took until December for that to filter through to the corporate risk register. It is important that that risk is on the corporate risk register, so that it is considered at the high executive level when decisions are made.

**Craig Hoy:** In broad terms, most people in most organisations are alert to the requirements to meet those net zero ambitions, but in relation to the public purse, are public sector bodies—from local government right through to the NHS estate—prepared for the significant costs that are coming down the line in relation to the targets that they must achieve, which will feed through to the national target?

**Stephen Boyle:** All public bodies are legally obliged to play their part to meet net zero ambitions. Much like the Scottish Government itself, public bodies need to have clear plans in place that have public spending aligned to outcomes and carbon assessments.

As has been mentioned in our conversation and in some of Sally Thompson's responses, we are not seeing that coming through clearly yet. That will be a focus of our work, but the onus is on public bodies, too. They need to be absolutely clear about what they spend and that their services deliver what they are primarily intended to deliver, but also that the carbon impact is set out. There is some work to do on that.

**Craig Hoy:** I will make a final technical point. Your report suggests that focusing on short-term impacts is not appropriate for assessing the impacts of climate change, because the most severe impacts will be on the longer-term projections. Has the Scottish Government indicated that it agrees with that point in your report, and if so, what steps is it taking to review how it calculates the risk score for climate change adaptation?

**Stephen Boyle:** On the Government's understanding of the report, as you would expect, Mr Hoy, we have gone through the factual accuracy check and the associated recommendations for that, but the Government might be better placed to set out what it intends its next steps to be. Rebecca Seidel can offer more on that.

**Rebecca Seidel:** The Scottish Government recognises that point, and you will see in our report that we recommended that, in identifying actions to address risks in future, we expect the Scottish Government to take those longer-term

impacts into consideration. That was a point that it recognised in discussion. As the Auditor General said, the Scottish Government would be best placed to advise on the action that it is taking to address that.

**The Convener:** I bring Willie Coffey back in. He has a point to put.

**Willie Coffey:** My point is on the comments in paragraph 24 on risk that Craig Hoy led on. The risk was established in 2019, and we would probably all put in a corporate risk register, if we were writing it ourselves, that we might not meet net zero targets. Are you saying that there has been no review of that risk since then, and therefore that the risk remains as high as it was then?

Given Chris Stark's comment that we have largely decarbonised the power system, which I mentioned earlier, does that not tell us that the overall risk must surely have diminished? That is how I see it, but I would appreciate your view on that.

What evidence would you lean on to say that it is very likely that we will not meet the net zero target? What is that based on if we have evidence in front of us that says that there has been a reduction in that risk?

**Stephen Boyle:** The Scottish Government draws on a range of sources. Bear in mind that it is the Scottish Government's assessment that there is a high risk. The CCC's report from December says that the Scottish Government did not meet seven out of its 11 targets and that Scotland was leading the rest of the UK on decarbonising but is now at a similar level of progress. Also, Scotland relies on transport emission reductions as being one of the primary drivers, but the report references that Scotland is not purchasing as many electric cars as other parts of the UK are. A range of different points in the CCC's report indicate that progress is required to address that high risk.

Ultimately, it is for the Scottish Government itself to decide what it considers to be high risk. In the report, we have set out the fact that it is fine to say that there is a high risk, but what needs to be really clear is what actions it is going to take. Our assessment was that there was a lack of alignment between the actions that were planned to address the high risk and the risk itself, along with the other factors such as who owns that risk and what that will mean in terms of delivery dates, spending and so forth. The overall assessment of high risk is probably one that I would recognise, but it is for Government to comment on the specifics of that.

10:00

**The Convener:** I will continue with the theme of risk management in the final series of questions that we want to put you. Towards the end of the report, we read a reference to an exercise that took place in summer of 2022 inside the net zero directorate, which took part in what you describe as a risk housekeeping exercise. The result of that housekeeping exercise was the conclusion that the net zero directorate demonstrated a maturity level of novice to organised. My understanding is that that means that the directorate had only just started to implement processes that were in line with Scottish Government guidelines. It was at a very early stage—a novice stage—in that regard.

Do you have a concern about that, given that this is the directorate that is supposed to be showing leadership and driving forward this agenda across the whole of Government?

**Stephen Boyle:** I will bring Rebecca Seidel in to say more about additional conclusions that we set out slightly after the paragraph that you refer to, convener.

The first thing that I would recognise is that this is a relatively new directorate in the Scottish Government, but it is an important step change that there is now a director general to deliver on net zero. As I mentioned earlier, staff will have migrated from other departments to form DG net zero. However, with regard to the maturity of risk management arrangements, the fact that the directorate was assessed to be at a novice stage in the summer of 2022 shows that there is quite a long way to go on such an important policy priority area, and action on that needs to happen quickly with regard to having robust effective risk management arrangements to support the delivery of such an important policy objective.

There is work to do, and as we set out later in the report, our own assessment of some of the risk management arrangements also identified a number of areas for improvement, which Rebecca can touch on.

**Rebecca Seidel:** Thank you, Auditor General. Before I go into more detail on what we found in our report, on the risk maturity assessment of novice/organised, the committee might find information on the scale helpful. It is a seven-point scale, and novice/organised is the third from the bottom, so as you recognised, convener, there is still some way to go. We hope that the recommendations that came out of that review, alongside our own, will help to support the Scottish Government in strengthening its risk management arrangements further.

We have touched on some of the gaps and weaknesses that we identified in our report already. For us, the key things are having robust

and evidence-based processes in place to allow the Government to identify the risks to meeting its climate change goals, putting in place very specific actions to address those risks and then having a systematic process to assess progress against those actions. Alongside that, it is important to be very clear about who owns the risk, how risks are escalated and to ensure that contingency plans are in place, as I said earlier, in case the actions do not have the impact that it was anticipated that they would have.

**The Convener:** However, are some of these things not pretty basic requirements? I am looking to you, Auditor General. It seems to me that the report points out that details of planned actions are “vague and do not include intended completion dates”.

Neither is there any estimate of “expected impact.” That is pretty rudimentary, is it not, if you are carrying out a programme of work that is designed to bring about transformative change?

**Stephen Boyle:** We would agree, convener. Some of those things are really fundamental tenets of risk management arrangements. Our ambition in the report was to set those out to elicit the change that absolutely has to happen to support the Scottish Government’s leadership role in delivering climate change ambitions for the changes that we will all need to make across public bodies, as individuals, and in the private sector. Having clear and consistent risk management arrangements is one of the fundamental building blocks. I repeat that there is work to do to get all of that done effectively.

**The Convener:** For completeness, you said in the report:

“The GCE Programme Board does not have risk management arrangements in place, despite a recommendation from a 2019 internal review that this should be a priority.”

That was identified as a priority in 2019, but here we are in 2023 and those are still not in place.

**Stephen Boyle:** Rebecca Seidel can say more about our understanding of expected progress arrangements. Inevitably, there is a link between governance arrangements and risk management. We see throughout the report that the area is a complex one with a lot of governance happening in different places. We are seeing some progress on the clarity around risk ownership and escalation arrangements through to the corporate board. In particular, the Scottish Government’s executive team is now very clear through its performance reporting and the different settings that it operates in. There is ownership of risk under the direction of DG net zero, but it is still quite early days, especially when we consider the timeframe from the climate emergency being declared in 2019 through to some of the works not happening over

a three-year period. The pandemic aside, we would have expected to see stronger arrangements in place.

If she wishes to, Rebecca Seidel can say a bit more about the GCE programme board.

**Rebecca Seidel:** As the Auditor General said, we were surprised that the GCE programme board did not have its own risk register in place, given its remit to provide oversight and assurance of climate change at a corporate level. Members will see from our report that we have recommended that the programme board should put one in place and ensure that that has clear reporting lines to some of the wider climate change governance arrangements.

We do not entirely know why that was not put in place. Obviously, we know that there have been changes between 2019 and now, one of the most substantial of which was the appointment of DG net zero towards the end of 2021. That meant that progress was made in putting in place specific risk management arrangements for climate change, but we do not know why nothing has happened over that period. Obviously, we would like to see our recommendation implemented as soon as possible.

**The Convener:** Okay; thank you.

Obviously, the committee will have to consider whether it would be useful for us to invite officials from DG net zero to give evidence to us. If we decided to do that, we could put to them directly some of the questions that have arisen from our session with you.

I thank the Auditor General very much for the evidence that he has led this morning, and I thank Rebecca Seidel and Sally Thompson for the very useful evidence that they have contributed.

For the record, I should have mentioned at the start that Colin Beattie has submitted his apologies for not being at today’s meeting. I wanted to have that recorded.

I close the public part of the meeting and move us into private session.

10:08

*Meeting continued in private until 11:03.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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