

Public Audit Committee

21st Meeting, 2023 (Session 6), Thursday, 7 September 2023

How the Scottish Government is set up to deliver climate change goals

Introduction

1. At its meeting today, the Public Audit Committee will take evidence from the Scottish Government's Director-General Net Zero on the Auditor General for Scotland's (AGS) section 23 report, [How the Scottish Government is set up to deliver climate change goals](#), which was published on 20 April 2023.
2. The Committee previously took oral evidence from the AGS on the report on [18 May 2023](#). A copy of the report can be found in **Annexe A**.
3. The Committee recently took evidence from the Scottish Government on its [Major Capital Projects update](#) at its meeting on [29 June 2023](#). Following the evidence session, the Committee agreed to raise any relevant issues with the Director-General Net Zero at today's evidence session.
4. Follow up information has been received from the Scottish Government in respect of the Major Capital Projects update. This can be found in **Annexe B**.
5. The Committee has also received a letter from the Convener of the Net Zero, Energy and Transport Committee, which sets out a proposed approach for committees to adopt a collaborative approach to scrutiny of the Scottish Government's Climate Change Plan. A copy of the letter can be found in **Annexe C**.
6. The Committee will decide any further action it wishes to take after the evidence session today.

**Clerks to the Committee,
4 September 2023**

How the Scottish Government is set up to deliver climate change goals

Governance and risk management arrangements for net zero targets and adaptation outcomes

Annexe A



AUDITOR GENERAL 

Prepared by Audit Scotland
April 2023

Key messages

1 **The Scottish Government has improved how it organises itself to support delivery of its climate change goals since the then First Minister declared a climate emergency in 2019.**

Given the urgency, further improvements to key aspects of governance are required. Adapting to the impacts of climate change, such as extreme weather events, has had less focus than reducing emissions. It is not clear enough how some Scottish Government groups link together to ensure a coordinated approach, risking duplication of effort and inconsistency. The lack of frequent and consistent reporting, alongside gaps in performance monitoring, make it difficult to gain assurance of overall progress. There has been no workforce plan in place for the Director General for Net Zero area since it was established in November 2021, although one is expected in spring 2023.

2 **Systematic risk management is needed so the Scottish Government can identify the key risks to meeting its climate change goals and take effective action to address them.**

Since the appointment of a Director General for Net Zero, improvements to risk management processes and documents have been made. But climate change risk management arrangements remain underdeveloped and further work is needed. The evidence base and process to identify and score risks is not always clear. Actions to address risks are sometimes vague. And the Scottish Government does not have a systematic, structured process in place for tracking actions included in climate change risk registers. Failure to adapt to the impact of climate change is a longer-term risk that requires action now, but this has not been prioritised as highly as emissions reduction risks. Risk management arrangements that are not fully developed could increase the chances of net zero targets being missed and Scotland not being adequately prepared to cope with the impacts of climate change.

Recommendations

To improve climate change governance arrangements, the Scottish Government should:

- **Better align climate change governance groups** with each other, and with wider corporate governance arrangements. This includes establishing and adhering to:
 - clear and distinct **roles and remits** for the main climate change groups and individuals, with up-to-date documentation
 - clear **reporting lines and escalation procedures** between the main governance groups.
- Ensure that **effective assurance arrangements are in place** for all its climate change governance groups, including:
 - the Deputy Director Network, which should **keep a record** of its business, decisions, and actions
 - having a **performance monitoring framework** with clear indicators that ensures reporting is structured, consistent and frequent, and provides assurance that progress towards climate change ambitions is being made.
- Ensure that a Director General Net Zero **workforce plan** is in place by spring 2023, which takes sufficient account of the number of staff and skills required to deliver on its climate change responsibilities.

To improve climate change risk management arrangements, the Scottish Government should:

- Ensure that all climate change risks are effectively identified and managed by:
 - ensuring that processes for **identifying and scoring** climate change risks are consistent and evidence-based, and fully consider longer-term impacts
 - introducing clear processes for **tracking progress against actions** to address identified climate change risks
 - **monitoring and reviewing** progress against those actions to ensure that they are carried out and that their impacts are evaluated
 - developing **contingency plans** for high scoring risks, particularly where there are insufficient actions in place to address them
 - being clear about how and when **risks should be escalated** and include mechanisms to escalate risks to executive level decision-makers.
- Ensure that the **Global Climate Emergency Programme Board** has a risk register in place that has clear reporting lines to the wider climate change and corporate risk management systems.

Background

1. The United Nations has said that climate change is the defining issue of our time. Climate change affects every country, community and individual. Urgent action is needed from governments, businesses and individuals to adapt to the current impacts of climate change and reduce greenhouse gas emissions (the gases in Earth's atmosphere that trap heat and contribute to climate change).

2. Addressing climate change is a huge challenge. The Scottish Government has ambitious goals for tackling climate change, which is one of its priority policy areas. In 2019, Scotland became one of the first countries in the world to declare a climate emergency. It has set a legally binding target of becoming net zero by 2045, five years earlier than the rest of the UK. Interim targets to support the achievement of the net zero goal include a 75 per cent reduction in greenhouse gas emissions by 2030. Some of the Scottish Government's key climate change responsibilities include:

- producing a Climate Change Plan that sets out **how emissions will be reduced**
- publishing a **national adaptation programme** that seeks to build climate

resilience and respond to the risks set out in the [UK Climate Change Risk Assessment](#)

- adopting a **just transition** approach to becoming a net zero economy by preparing plans for key sectors.

3. The Climate Change Committee (CCC) is an independent, statutory body that was established to advise the UK and devolved governments on emissions targets. It reports on progress made in reducing emissions and adapting to the impacts of climate change. In 2022, this committee reported that [Scotland's progress in reducing emissions](#) was falling behind its legally binding targets and that progress towards [adapting to the impact of climate change](#) has stalled.

4. The Scottish Government cannot achieve net zero targets and adaptation outcomes alone. The Scottish Government must work with the UK Government, Scottish public bodies, the private sector, third sector organisations and individuals to change behaviours and combat climate change. Public bodies have a specific statutory duty to contribute to national targets for reducing emissions and to climate change adaptation



How emissions will be reduced

The process where emissions are cut to as close to zero as possible with any remaining emissions re-absorbed from the atmosphere. Net zero means there is a balance between the amount of carbon emissions we put into the atmosphere and the amount of emissions we take out.



National adaptation programme

There is a legal requirement for the Scottish Government to publish a five-year plan that sets out how Scotland is preparing for the impacts of climate change.



Just transition

A just transition approach seeks to ensure that the benefits of moving to a net zero economy are enjoyed by everyone and no one is negatively impacted.

outcomes. Private businesses and third sector organisations must also play a role, such as by providing financial assistance and supporting individuals to adapt their behaviours to combat climate change. The Scottish Government recognises that its public sector leadership role is essential in achieving national ambitions, and that it needs to work collaboratively with others to deliver on climate change goals.

5. Climate change is a complex policy area. Effective governance and risk management arrangements are essential if the Scottish Government is going to lead and drive delivery of Scotland's climate change ambitions. Governance and risk management arrangements are interlinked and fundamental to ensuring that organisations are well managed and programmes of work are delivered effectively. They support planning, policy and financial decision-making, and help identify and address risks to success. Regular monitoring of performance and resources, to ensure delivery of policies and projects within agreed timescales and budgets, is a critical part of good governance. Systematic arrangements help to ensure transparency, accountability and assurance, as well as continuity of progress and knowledge in the event of staff changes. This is particularly important in the context of an extremely complex area where progress needs to be made quickly.

About this report

6. This report has been prepared on behalf of the Auditor General for Scotland (AGS). It is part of a wider programme of climate change work being carried out by Audit Scotland on behalf of the AGS and the Accounts Commission, both of which have identified climate change as an audit priority. The role of public audit in, and our approach to, supporting the public sector in delivering climate change ambitions is set out in [Auditing climate change: Our strategy.](#)

7. This report focuses on how effective the Scottish Government's climate change governance and risk management arrangements are in supporting it to drive the delivery of Scotland's national net zero targets and climate change adaptation outcomes. It reflects the position before the election of a new First Minister in March 2023.

8. Our findings and recommendations are based on evidence gathered through document reviews and interviews with the Scottish Government. We also spoke with key stakeholders, namely the CCC, Sustainable Scotland Network, Adaptation Scotland and the Convention of Scottish Local Authorities (COSLA). We have made recommendations to help the Scottish Government strengthen how it is set up to deliver its climate change goals. We plan to follow up on progress against our recommendations.

The Scottish Government's climate change governance arrangements have improved but key gaps remain

Addressing the causes and consequences of climate change requires good cross-government working

9. The Scottish Government has made ambitious climate change commitments. Delivering on these ambitions requires climate change to be considered throughout the policy-making process and embedded in decision-making across government. Over the last four years, changes have been made to how the Scottish Government is organised in relation to climate change, including the creation of senior level roles and groups, to raise its priority and help improve cross-government working.

10. The causes and consequences of climate change sit across multiple policy areas. Responsibility for driving the delivery of climate change ambitions spans several Scottish Government Cabinet Secretaries and Ministers. Prior to the election of a new First Minister in March 2023, five of the nine Cabinet Secretaries were permanent members of the Cabinet Sub-Committee on the Climate Emergency. This was created in November 2021, as part of the [Bute House Agreement](#), and following the establishment of a new Cabinet Secretary post for Net Zero, Energy and Transport. [Exhibit 1 \(page 8\)](#) shows the ministerial governance structures in place for climate change at March 2023. Lines of accountability for climate change are complex due to its cross-cutting nature. It is vital that effective governance arrangements are in place to enable the Scottish Government to deliver on its climate change ambitions and provide assurance that progress is being made.

11. The Scottish Government has eight **Directors General (DGs)**. They are accountable for delivering specific policies and managing different directorates. The Director General for Net Zero (DG Net Zero) role was created in November 2021, with responsibility for leading the Scottish Government's work on supporting the delivery of net zero targets and adaptation outcomes. However, not all climate change responsibilities rest with the DG Net Zero. For example, moving to a greener economy is

Bute House Agreement

This is an agreement between the Scottish Government and the Scottish Green Party Parliamentary Group to work together to respond to the climate emergency and build a green recovery from Covid-19.

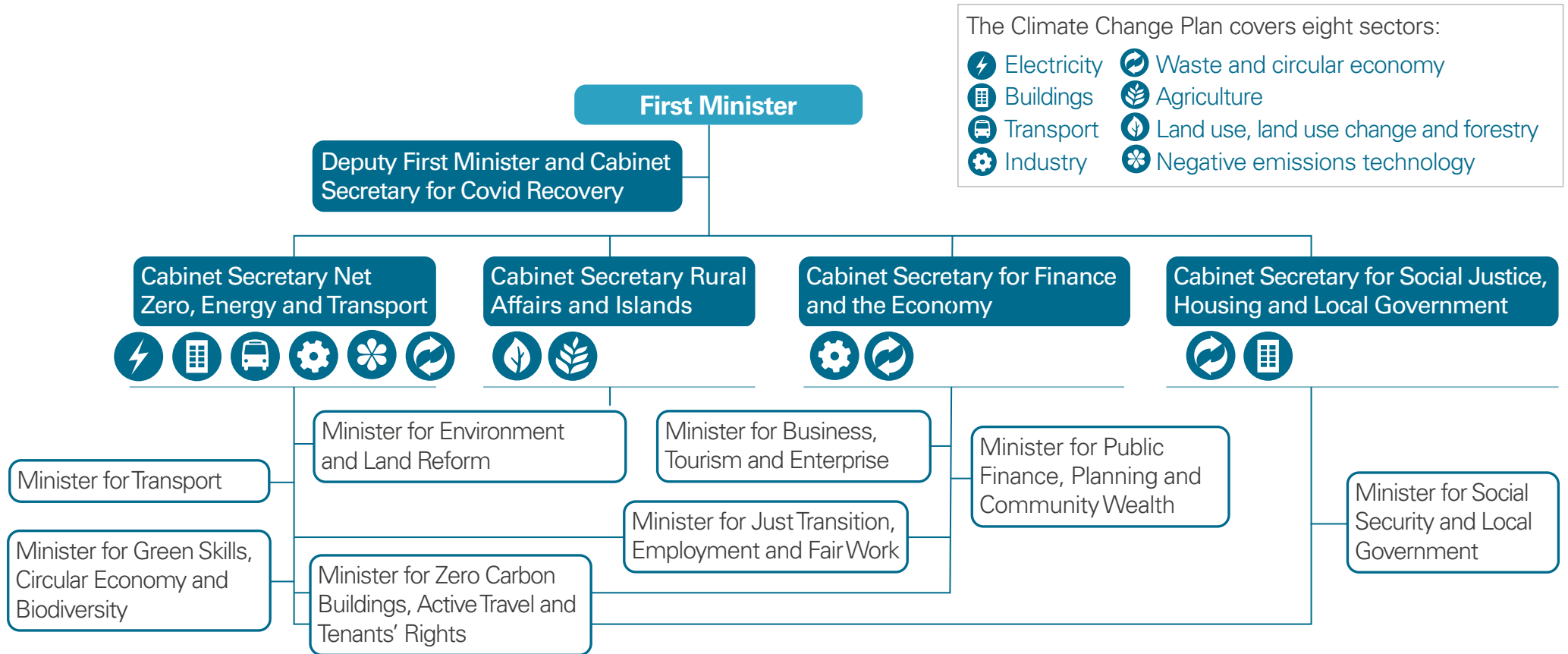
Directors General (DGs)

The Scottish Government is structured into several directorates. Directorates are managed by Directors General. There are eight Directors General:

- DG Communities
- DG Corporate
- DG Economy
- DG Education and Justice
- DG Health and Social Care
- DG Net Zero
- DG Scottish Exchequer
- DG Strategy and External Affairs.

Exhibit 1.

Climate change responsibilities stretch across several Cabinet Secretaries and Ministers



Notes:

1. This exhibit refers to Cabinet Secretaries and Ministers in place prior to the election of the new First Minister in March 2023. It shows examples of how their responsibilities link to sectors in the Climate Change Plan.
2. At March 2023, the five Cabinet Secretaries in the exhibit were members of the Cabinet Sub-Committee on the Climate Emergency. The following were not members: Cabinet Secretary for Education and Skills, Cabinet Secretary for Health and Social Care, Cabinet Secretary for Justice and Veterans and the Cabinet Secretary for Constitution, External Affairs and Culture.

Source: Audit Scotland and the Scottish Government

essential for delivering net zero targets and responsibility for this aspect of policy and spending is held by the DG Economy. Producing the skilled workforce needed for a green and just transition is the responsibility of the DG Education and Justice.

12. DGs do not have the authority to make policy or spending decisions in other DG areas. The delivery of climate change ambitions is dependent on all eight DGs, who are expected to embed climate change considerations into their financial and policy decision-making processes. The interdependencies between DG areas mean that cross-government collaboration is required to progress climate change policies and manage competing priorities. The DG Net Zero is responsible for working with all DGs, and their respective directorates, to ensure climate change is considered in activities they lead on.

The Scottish Government's climate change governance arrangements have improved but core elements of good governance are missing

13. In addition to ministerial and DG level changes, the Scottish Government set up the **Global Climate Emergency Response Programme Board** (later changing its name to, and referred to in this report as, the GCE Programme Board) after it declared a climate emergency in April 2019. The GCE Programme Board was established to provide oversight and assurance for climate change action at the corporate level and encourage a cross-government approach, with membership from across government. A **Deputy Director Network** was later established, as well as various policy delivery boards, to support the work of the GCE Programme Board.

14. The Scottish Government's climate change governance arrangements have constantly evolved since the then First Minister declared a climate emergency in 2019, and continue to do so. The governance arrangements have adapted in response to events, such as the Covid-19 pandemic, the Bute House Agreement, and appointments of the DG Net Zero and new Permanent Secretary. Over time, the Scottish Government's governance arrangements for climate change have given greater priority, focus and visible leadership to climate change in government ([Exhibit 2, page 10](#)). The creation of a dedicated DG Net Zero role has given impetus to strengthening some aspects of governance, for example by:

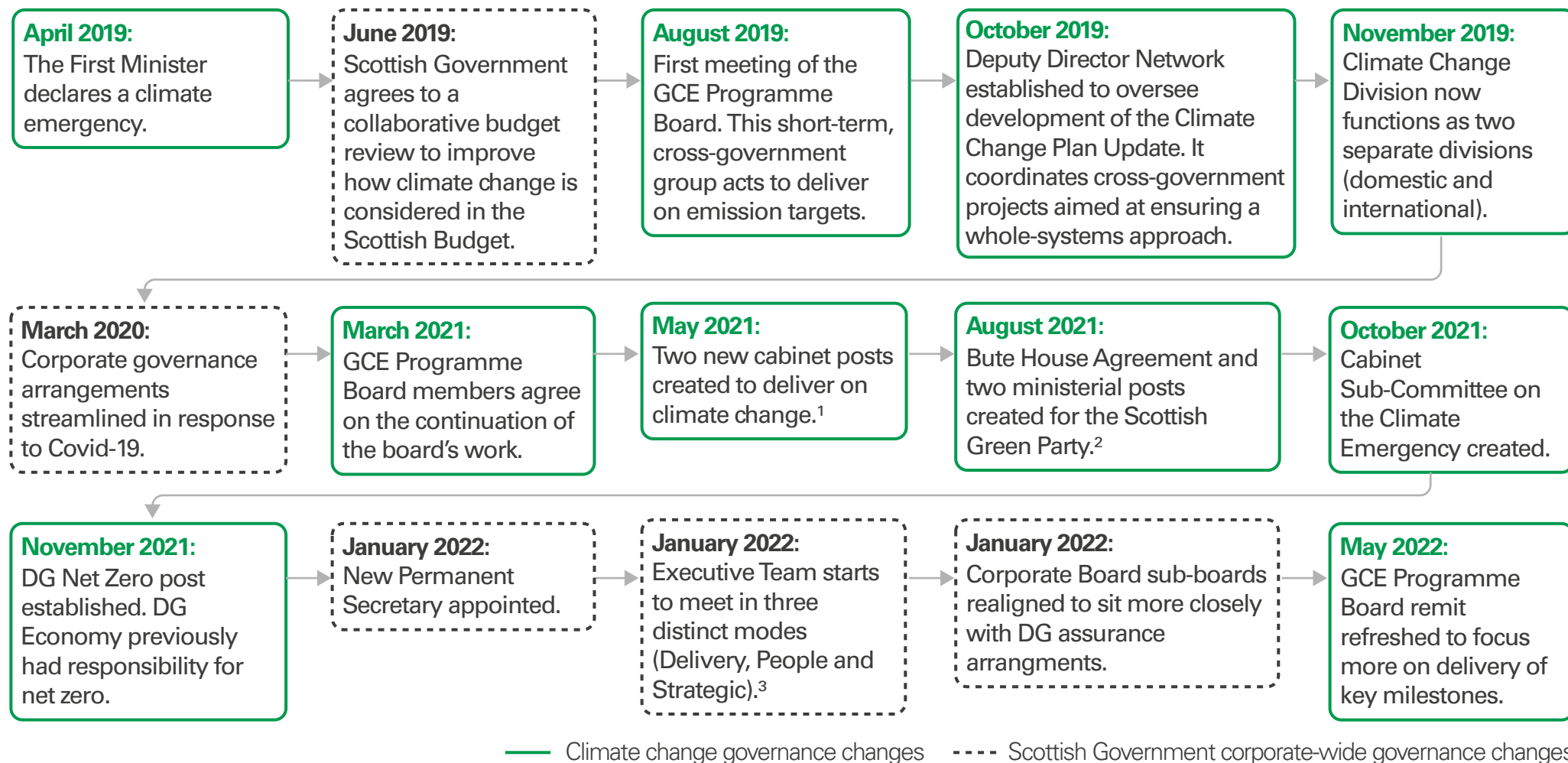
- refreshing the remit of the GCE Programme Board and placing more emphasis on monitoring, evaluation, and delivery

The **Global Climate Emergency Programme Board** was initially set-up to coordinate the Scottish Government's response to the climate emergency. It is now chaired by the DG Net Zero and focuses on delivery and monitoring. This includes coordinating several cross-government projects intended to support a whole-systems approach to delivering on key climate change objectives, including specific responsibility for delivering future Climate Change Plans.

The Climate Change **Deputy Director Network** supports the GCE Programme Board in coordinating cross-government projects at divisional level for climate change mitigation, and just transition. It has specific responsibility for delivering future Climate Change Plans and reports.

Exhibit 2.

Timeline of changes to the Scottish Government's climate change and corporate governance arrangements to support delivery of its climate change commitments



Notes:

1. Cabinet Secretary for Net Zero, Energy and Transport, and Cabinet Secretary for Rural Affairs and Islands.
2. Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights, and Minister for Green Skills, Circular Economy and Biodiversity.
3. A fourth mode, Investment Assurance, was added later in 2022.

Source: Audit Scotland

- establishing more frequent and consistent reporting at DG level to the **Executive Team**
- improving links between the Cabinet Sub-Committee on the Climate Emergency and the GCE Programme Board.

15. Clear and effective governance arrangements are essential to support the delivery of climate change policies and projects. [Exhibit 3 \(page 12\)](#) shows the Scottish Government’s corporate and climate change governance structures and how they are interconnected.

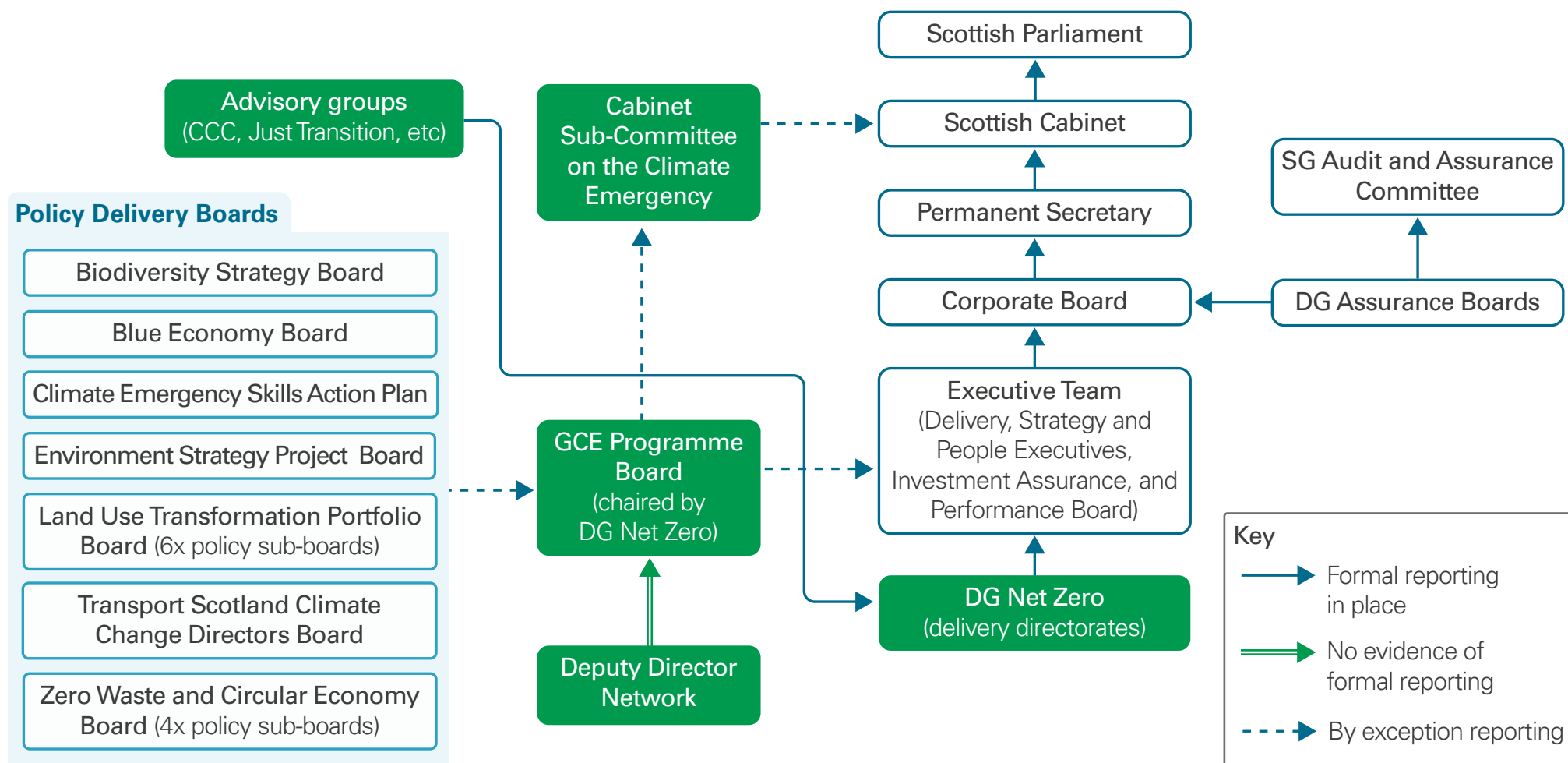
16. Despite improvements, we have found that some key elements of good governance are missing from the Scottish Government’s climate change governance arrangements or are used irregularly and inconsistently. For example:

- The GCE Programme Board is the main governance body in relation to delivering net zero targets and adaptation outcomes. Although it has a remit to provide **strategic oversight and assurance** for climate change at a corporate level, it does not cover all aspects of climate change. It is not clear how the Scottish Government ensures that it has sufficient strategic oversight and assurance of climate change actions. For example, separate boards exist for biodiversity and land use transformation, and the GCE Programme Board only included adaptation in its work two years after it was set-up ([paragraph 17](#)). It is not always clear how some climate change governance groups **link together** (for example the GCE Programme Board and the Deputy Directors Network) to ensure a **coordinated approach**, avoid duplication or inconsistencies and gain assurance. The links between climate change specific governance arrangements and the Scottish Government’s wider corporate governance arrangements are also not clear.
- **Escalation and reporting processes** are not always clear or adhered to. Frequent and consistent reporting is lacking between some key governance groups (for example, between the GCE Programme Board and the Executive Team, and between the Deputy Director Network and GCE Programme Board). The Deputy Director Network, which is a key climate change governance body with responsibility for delivering on the policies within the [Climate Change Plan Update](#), operates informally, with no minutes of meetings being taken.

The **Executive Team** is chaired by the Permanent Secretary. It aims to ensure the Scottish Government achieves its goals and has effective governance. It meets in four modes – Delivery, Strategic, People and Investment Assurance. The Delivery Executive meets weekly and once a quarter it meets as the Performance Board.

Exhibit 3.

The Scottish Government's corporate and climate change governance arrangements



Note: The Scottish Government describes reporting arrangements between some key governance groups as happening 'by exception'. The Scottish Government has no standard definition of 'by exception' reporting. However, this generally means reports are only presented when updates (for example, about the achievement of, or risks and changes to, delivery milestones) are deemed to be required rather than reporting happening on a regular and frequent basis.

Source: Scottish Government and Audit Scotland

This means it is not possible to track its business, actions or outcomes. It is not clear how decisions to escalate items from the Deputy Director Network to the GCE Programme Board are made.

- **Performance monitoring** and reporting is inconsistent and underdeveloped. The GCE Programme Board's monitoring of performance towards achieving net zero targets is improving, and monitoring and evaluation is now a key part of its work. So far, however, the GCE Programme Board has had an inconsistent approach to monitoring progress towards achieving the objectives in the Climate Change Plan Update and adaptation outcomes. Information is presented in different formats and on an irregular basis, making it difficult to assess the overarching progress. At the corporate level, the Executive Team now receives more regular and consistent performance information, known as a 'dashboard', on progress against the Climate Change Plan Update. This approach is not yet as well developed for adaptation. Climate change was not a priority area of business for the Performance Board during 2022. This reflects the Auditor General's findings in his [Scottish Government 2021/22 annual audit report](#) that performance reporting arrangements across government could be improved.
- **Roles and responsibilities** change regularly and are not always clearly defined. The Scottish Government has created a range of new positions and governance groups over the last four years, with changing roles and remits, but documentation does not always reflect new arrangements and terminology is not always clear. The key DG Net Zero role was created in November 2021 but was not filled on a permanent basis until early 2023. 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. 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.
- There has been no **workforce plan** in place for the DG Net Zero area since it was established in November 2021, although one is expected in spring 2023. Climate change is a growing priority policy area, with an urgent need for progress if Scotland's statutory targets are to be met. 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. More widely, the Auditor General's [2021/22 Scottish Government annual audit report](#) highlights the considerable strain being placed on staffing capacity and wellbeing across government. It notes that this is likely to intensify and that a comprehensive workforce strategy is required to ensure the Scottish Government's approach to staffing levels is appropriately planned and coordinated across the organisation.

17. Climate change is already having a significant impact on Scotland's communities, for example through flooding and severe weather events. The Scottish Government must take action to adapt and respond to the impact that climate change is already having. However, although there is now increasing focus on adaptation within the Scottish Government, governance arrangements to help Scotland adapt to the impact of climate change are less developed than those for reducing emissions. For example:

- The GCE Programme Board did not adopt adaptation as a formal workstream until May 2021, two years after it was established.
- Performance monitoring information for adaptation is not as developed as for reducing emissions, although the Scottish Government is currently developing an adaptation performance dashboard.
- The **National Performance Framework's** climate change indicators focus on Scotland's carbon footprint, greenhouse gas emissions and energy consumption from renewables. There are no indicators to monitor progress in relation to adapting to the impact of climate change.

Scotland's **National Performance Framework** measures progress against 11 National Outcomes, through the use of a range of economic, social and environmental National Indicators.

Some progress has been made integrating climate change into decision-making but significant challenges and gaps remain

18. The Scottish Government has clear strategic goals on climate change, and there is strong messaging across government about the priority given to climate change and the need to embed climate change considerations in decision-making. Many of the climate change governance groups have a remit to improve cross-government working to ensure that climate change is integrated into both policy and financial decision-making. In September 2021, the GCE Programme Board's revised Terms of Reference showed increased representation of DG Scottish Exchequer staff among its membership, and some progress has been made in considering climate change in budget planning and spending. For example:

- DG Scottish Exchequer staff are working with other DGs and their directorates to gain a collective understanding of competing financial and policy pressures, policy affordability and the impact of spending on climate change objectives.
- There is coordination across government when developing the Scottish Budget to ensure proposals fit with overall climate change ambitions, as well as the 2021 Bute House Agreement.
- The impact of climate change is being considered in a cross-cutting approach to authorising spending through the Resource Spending Review and Capital Spending Review.

19. There are, however, several significant challenges to ensuring that climate change is integrated into decision-making, as outlined below:

Climate change is competing with other areas for funding and staff

- Achieving net zero targets and adaptation outcomes requires significant investment. The Auditor General's briefing on [Scotland's public finances](#) highlights how the combined impacts of the Covid-19 pandemic and the cost-of-living crisis have contributed to creating the most challenging fiscal environment since devolution. These pressures will only intensify as public funding pressures increase and the need for action on climate change accelerates.

- Climate change has to compete with other priority policy areas for funding. The Auditor General's [Scottish Government 2021/22 annual audit report](#) explains how the financial pressures facing the Scottish Government have intensified in recent months, adding pressure to already limited budgets. The Scottish Government acknowledges that the prioritisation of climate change in discussions about resources and budgeting remains a challenge. The Scottish Government may need to revisit current policy and priority commitments.
- Issues relating to workforce capacity and capability have been identified as key challenges by the Scottish Government at both organisation-wide and DG Net Zero levels. There is currently no strategic workforce plan for the DG Net Zero area, although one is expected in spring 2023 ([paragraph 16](#)).

The Scottish Government does not routinely assess the impact that policies and spending have on emissions

- 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. This means that it does not know the impact of its policies or spending on greenhouse gas emissions. This is a complicated area and the Scottish Government recently commissioned work to address this ([Case study 1, page 17](#)).
- The Scottish Government does not assess how far the policies outlined in the Climate Change Plan Update will contribute to net zero. Following recommendations from the CCC, the Scottish Government is in the process of reviewing its emission reduction pathways to net zero for the new Climate Change Plan due to be published in 2024.
- 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. It is a legal requirement that the next version of the Climate Change Plan is fully costed. The Auditor General's [Scottish Government 2021/22 annual audit report](#) recommends that the Scottish Government should ensure that its policy choices and spending commitments are fully costed and reported transparently.

Case study 1.

Improving assessment of the carbon impact of Scottish Government spending decisions and the Scottish Budget

ClimateXChange commissioned the Fraser of Allander Institute to undertake research in 2022 on behalf of the Scottish Government and the Scottish Parliament. This was part of the Joint Budget Review. It aimed to increase the transparency of climate change considerations in the Scottish Budget and to improve the extent to which decision-making within the Scottish Government is supported by an understanding of the consequences of spending choices on emissions.

The research found that the Scottish Government has:

- weaknesses in its understanding of the carbon impact of its policies
- a culture of not developing business cases or impact assessments at an early enough stage of the policy development process, which can affect the availability of data for carbon assessment
- weaknesses in accounting for climate change in the Scottish Budget. For example, the High-Level Carbon Assessment of the Scottish Budget accounts for the emissions impact of its policies and spending only once they have occurred, rather than the expected impact over the total lifespan of policies.

In response to the findings, the Scottish Government has outlined three strands of work to improve scrutiny and transparency of climate change matters in the Scottish Budget. The Scottish Government:

- has included a dedicated climate section in the 2023/24 Scottish Budget, which lists all spending that contributes to achieving statutory targets. It does not yet, however, include an assessment of the expected impact or identify areas of spending that negatively affect climate change goals
- has committed to enhancing its current approach to identifying and categorising all spending lines across the Scottish Budget with regard to their climate impact and intends to introduce this for the 2024/25 budget cycle
- is developing a government-wide net zero assessment, aimed at identifying the climate impact of major policies at an early development stage, and detailing the climate impact of individual policies and their associated budget allocations. The timescale for this is not known.



Source: ClimateXChange and Fraser of Allander Institute

The Scottish Government's climate change risk management arrangements remain underdeveloped

20. Scotland's targets to reach net zero emissions and adapt to climate change will require deep and rapid change across the whole of society. Recent reports by the CCC highlight the high risk that these goals will not be achieved. This high level of risk has also been identified by the Scottish Government.

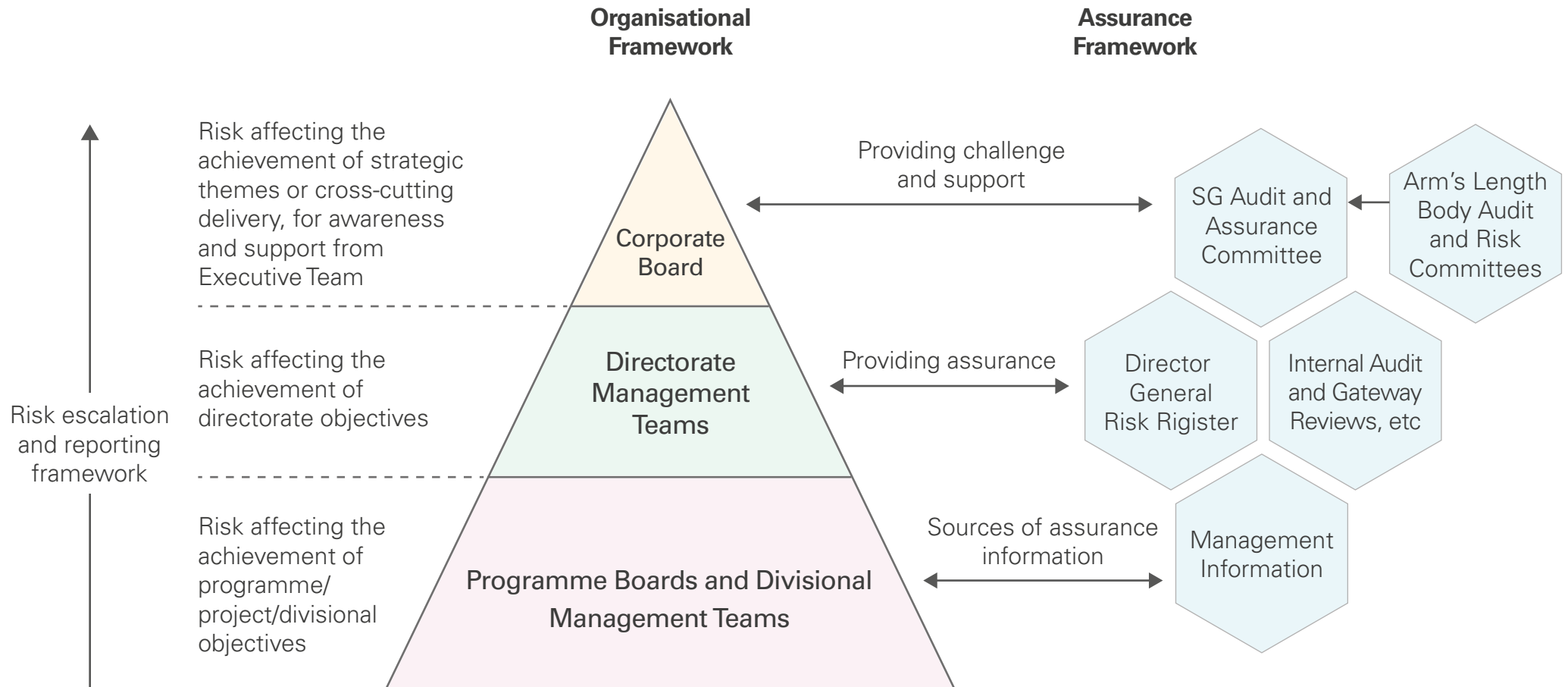
21. The Scottish Government's corporate risk management structures are designed to inform decision-making up to the highest levels of government ([Exhibit 4, page 19](#)). This includes informing decisions about how public spending is allocated. Effective risk management processes for climate change are essential to make sure that climate change is at the heart of the Scottish Government's decision-making and that barriers to achieving climate change goals are addressed. This is particularly important given the scale of the challenge and the concerns raised by the CCC about progress to date.

22. Risk management in a cross-cutting area such as climate change is complex. The Scottish Government has identified multiple climate change risks, which are captured in numerous risk registers in different parts of the organisation. This network of risk registers captures risks spanning all levels, from individual projects to organisational-wide risks in the corporate risk register ([Exhibit 5, page 20](#)).

23. The Scottish Government has identified many different types of climate change risks. These range from large overarching risks of missing net zero targets, adaptation outcomes and just transition ambitions, to risks for individual sectors or projects. The Scottish Government has also identified cross-cutting risks, that is risks that affect climate change goals across government and the wider public sector, such as a lack of money or poor governance arrangements ([Exhibit 6, page 21](#)).

Exhibit 4.

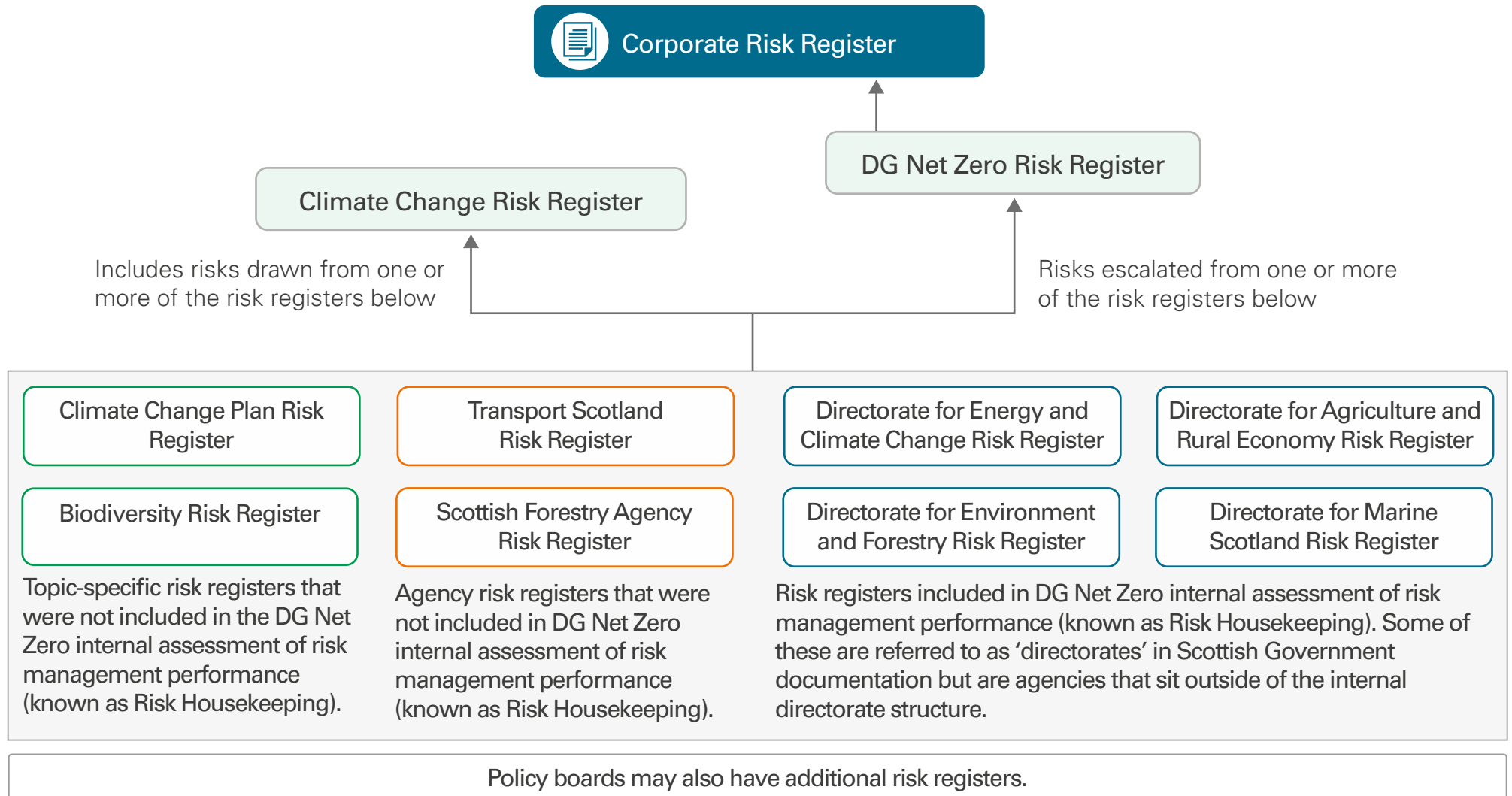
Scottish Government risk management structure



Source: Scottish Government Risk Management Guidance

Exhibit 5.

Overview of Scottish Government climate change risk registers



Source: Audit Scotland

Exhibit 6.

Scottish Government overview of key risks to achieving climate change goals

Overarching net zero and just transition risks

There is a high risk that net zero targets will be missed and that a just transition will not be achieved.



Overarching adaptation risk

There is a high risk that national climate change adaptation outcomes will not be achieved.



Project or programme net zero risks

There are many risks for specific sectors or specific projects.

For example, the Scottish Government identified that delays to ScotWind leasing rounds could make it difficult to put in place the infrastructure needed to achieve renewable energy ambitions.



Cross-cutting risks

Risks that cut across all areas of climate change activity have been clustered into key themes, including:

- Financial
- People
- Operational
- Governance



Progress to address identified risks is slow and the longer-term risks of failing to adapt to climate change have had less focus

24. The inclusion of a risk in the Corporate Risk Register means that it is more likely to be considered in executive level decision-making. An overarching risk that net zero targets will not be met has been included in the Corporate Risk Register since Scotland declared a climate emergency in 2019. The Scottish Government also recently made the need for the net zero targets to be met in a way that is fair to all (a just transition) a core part of this risk. The whole risk has been given a high **risk score**, meaning that it is very likely that net zero targets will not be achieved and that the impact of this would be severe. It is not, however, clearly specified what actions will be taken to reduce the overarching net zero risk or how the actions will impact on the risk score. Targets to reduce the risk score have been repeatedly missed and the level of risk remains high.

25. Up until December 2022, the Corporate Risk Register did not include a specific, overarching risk relating to the need to adapt to the impacts of climate change (although reference to these impacts were included as a consequence of the failure of global efforts to reduce emissions). The lack of a specific adaptation risk, with actions to address it, means that this critical issue was much less likely to be considered at an executive level than net zero targets. A specific adaptation risk was first included in the DG Net Zero Risk Register in March 2022 following the establishment of the new DG Net Zero role, which is indicative of an increasing focus on adaptation ([paragraph 17](#)).

26. However, the overall risk score for the overarching adaptation risk is much lower than the score for the overarching net zero risk ([paragraph 24](#)). The scoring for the specific, overarching adaptation risk is based on relatively short-term impacts and does not take the longer-term, more severe impacts of climate change on Scotland into account. This approach could reduce the level of urgency at executive levels for taking action to ensure that Scotland is resilient to the impacts of climate change. The focus on short-term impacts is not necessarily appropriate for assessing the impacts of climate change because the most severe impacts will be in the longer term.

Risk score

As part of risk management processes, risks that have been identified are scored in terms of how likely they are to happen and what the impact would be if they did. The Scottish Government scores likelihood on a scale of 1 to 5 and impact on a scale of 1 to 50. The highest level of impact is described as being a 'destructive and unacceptable impact on objectives that would result in a major change to overall approach'. The impact score is then multiplied by the likelihood score to calculate the overall risk score.

Improvements have been made but weaknesses remain in the Scottish Government's climate change risk management arrangements

27. It is standard practice for each DG area to have its own assurance board, which provides a dedicated forum for internal and external scrutiny of risks. The Scottish Government set up a new assurance board specifically focused on climate change when the DG Net Zero role was created in 2021, allowing for specific and increased focus on climate change. This was a positive step towards better climate change risk management arrangements within the Scottish Government.

28. Directorates within the DG Net Zero area took part in a Risk Housekeeping exercise in the summer of 2022 to assess the effectiveness of its new risk management arrangements. The maturity level of most of the directorates within DG Net Zero was assessed by the Scottish Government as 'novice/organised' for key areas, meaning that the directorates had only just started to implement processes in line with Scottish Government guidance.

29. We found several key weaknesses in the climate change risk management arrangements that the Scottish Government must address:

- The evidence base and process used to **identify and score** risks is not always clear.
- Details of many of the **planned actions** to address risks are vague and do not include intended completion dates or expected impact.
- How risks are **escalated** is not clear.
- **Ownership** of the same risks can differ between different risk registers, creating confusion and blurring the lines of accountability.
- The Scottish Government does not have a **systematic, structured process in place for tracking actions** included in climate change risk registers ([Exhibit 5, page 20](#)). This means that the Scottish Government cannot ensure that actions are carried out or their impacts evaluated.
- Risk management arrangements lack **contingency plans** for significant risks, setting out details of what alternative plans should be followed if the original plan does not work.
- **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.

30. Without fully developed risk management processes, barriers to progress might be missed when important decisions are being made, increasing the likelihood of national climate change objectives not being met. The DG Net Zero area has put plans in place to make improvements to its risk management processes, which include:

- directorate risk champions producing a risk management action plan to improve processes and documentation and achieve a higher risk management maturity rating
- ensuring that relevant staff within the directorate complete risk management training
- allocating senior (director) level responsibilities for climate change risks identified by the most recent UK Climate Change Risk Assessment.

31. Addressing climate change is a colossal challenge. The Scottish Government has an important leadership role in driving delivery of Scotland's climate change ambitions. It has improved how it organises itself to support delivery of key climate change goals, but further improvements are needed. The scale and urgency of the challenges ahead are enormous, and work to support the delivery of Scotland's net zero targets and adaptation outcomes will place significant demands on Scottish Government staff and finances. It is critical that the Scottish Government continues to focus on developing and improving its governance and risk management arrangements to support it to deliver on Scotland's climate change ambitions.

How the Scottish Government is set up to deliver climate change goals

Governance and risk management arrangements for net zero targets and adaptation outcomes

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ISBN 978 1 915839 05 3 AGS/2023/2

Richard Leonard MSP
Convener, Public Audit Committee

24 August 2023

Dear Mr Leonard

Thank you for your letter of 26 July, and for the opportunity to give evidence to the Public Audit Committee on 29 June. I have set out below responses to each of the questions set out in your letter, including the further information that we agreed to provide during the Committee meeting.

Please explain how the National Performance Framework informs decisions on infrastructure spending and how will it be used to inform the re-prioritisation that is planned.

The National Performance Framework informs all capital spending decisions. Our investment in infrastructure is targeted to maximise wider economic benefits and the delivery of the National Outcomes. Scottish Government routinely prepares business cases considering the likely impact of proposed infrastructure, using the most relevant aspects of the National Performance Framework.

The [Infrastructure Investment Plan for Scotland 2021-25](#) (hereafter the IIP), published in 2021, identified the outcomes from the National Performance Framework most likely to be improved by infrastructure investment and these, in turn, informed the three priorities for investment set out in the IIP and how various projects and programmes contributed to the long-term drive towards a wellbeing economy; reducing inequality and improving the quality of life of all of our people.

The IIP 2021-25 also sets out a hierarchy for infrastructure investment which aids decision making and planning on investment choices by encouraging maintenance and enhancement of existing assets over new assets. To support the application of the infrastructure hierarchy the Scottish Futures Trust and Scottish Government have jointly developed an Asset Strategy Guidance note (link [here](#)) and a Net Zero Public Sector Buildings Standard to support the whole public sector in making good investment decisions. More information on the Net Zero Public Sector Buildings Standard can be found here: [Net Zero Public Sector Buildings Standard](#).

In the context of current challenging economic circumstances, the Scottish Government remains committed to improving the lives of people in Scotland through its infrastructure investment. As we undertake the work to prioritise capital spending, as outlined in the Medium-Term Financial Strategy 2023, we will be considering afresh the alignment between the capital spending plans set out in the IIP and our National Performance Framework Outcomes. This prioritisation will be supported by focusing on the priorities set out by this Government in the Policy Prospectus (published in April 2023), and involve an up-to-date assessment of deliverability, value for money and impact.

Please explain how the Scottish Government will seek to balance competing priorities e.g., how does it determine an appropriate level of spending on road projects which might conflict with net zero or environmental aims and objectives.

As we undertake the review of the Capital Spending Review in advance of the 2024-25 Budget, Scottish Ministers are focused on targeting the available capital spending to deliver the right mix of infrastructure that will support employment and the economy, the achievement of net zero emissions targets and underpin the provision of high-quality public infrastructure and services across Scotland.

In determining which projects are prioritised we will assess the impact on all three priorities, as well as the deliverability and value for money of spending proposals. Within this process, a project that has a strong impact on one outcome may receive higher priority than one that has a weak impact on all three. We will publish an updated IIP Major Capital Projects Pipeline alongside the Draft Budget 2024-25 - providing transparency over which projects may now be delivered over a longer timescale.

As part of the prioritisation exercise the Scottish Government will assess future funding and financing opportunities to deliver the right strategic assets in the right places.

Please provide an update on progress to improve the carbon assessment of infrastructure investment, as per the commitment in the 2021 Infrastructure Investment Plan and the statutory requirements set out in the Climate Change Act of 2019.

The IIP recognised that the current method of carbon assessing the carbon impact of our capital investment is no longer fit for purpose. During Stage 2 of the Climate Change (Emissions Reduction Targets) (Scotland) Bill, the Government committed to working with the Parliament to review the current processes and outputs around budget information as it relates to climate change. A Joint Budget Review (JBR) Group, comprising officials from the Scottish Government and Scottish Parliament, was established to take that work forward.

On conclusion of the JBR in December 2023 [\[link to conclusions\]](#), three strands of work were identified to be taken forward:

- Establish a dedicated climate narrative in the Budget document;
- Develop an enhanced taxonomy for all Scottish Government spend to support improved budget scrutiny; and
- Develop and implement a Scottish Government wide Net Zero Assessment (NZA).

The Deputy First Minister and Cabinet Secretary for Transport, Net Zero and Just Transition wrote to the PAC and Net Zero, Energy and Transport Committees in June outlining the

expectation of running a pilot of the Net Zero Assessment (NZA) by the end of Quarter 4 of 2023 [\[link to letter\]](#), with a further update to be sent to these Committees on the JBR implementation in September. The full roll out of the NZA will take place iteratively to allow the impact of application to be understood. The NZA will be piloted with a number of policy areas before the end of 2023.

Please provide an update on the progress that has been made towards development of an overarching framework for assessment and prioritisation of infrastructure investment, as recommended by the Infrastructure Commission for Scotland in 2020.

The Infrastructure Commission for Scotland's recommendation to "develop and publish a new infrastructure assessment framework and methodology" was accepted and is being taken forward by the Scottish Government with support from the Scottish Futures Trust.

Work has been undertaken to assess available assessment and prioritisation methodologies (both in Scotland and in other jurisdictions) and their suitability for use for infrastructure prioritisation. In parallel, new assessment approaches, such as the Net Zero Assessment, and a consultation on the National Performance Framework Outcomes, are in development and these will be factored in to any overarching framework applied to infrastructure investment.

We will build in learning from the current review of our capital spending plans, identifying the strengths and weaknesses of different approaches, in the next phase of developing a framework.

We have also been working with stakeholders to better understand long term demand for infrastructure in Scotland across a range of infrastructure types to inform the Needs Assessment, as recommended by the Infrastructure Commission for Scotland.

The combination of these strands of work under our infrastructure improvement programme will inform the content and development of the next Infrastructure Investment Plan.

Follow up information from the Committee session

Information on help available for private citizens to reduce emissions from buildings.

Home Energy Scotland (HES), administered by Energy Saving Trust on behalf of the Scottish Government, is an advice service that acts as a single point of access for free, bespoke, impartial advice on energy efficiency, renewable heating and fuel poverty support in Scotland. HES will be able to advise the customer if they are eligible for support through any of our schemes or wider support available to tackle energy bills or help to decarbonise. Key schemes are outlined below.

The Home Energy Scotland (HES) **Grant and Loan Scheme** was launched in December 2022 and is available to all owner-occupiers across Scotland. It offers applicants a grant, interest free loan or combination of both to support the installation of energy efficiency measures and zero emissions heating. For zero emission heating measures, grant funding of up to £7,500 is available, with an additional £7,500 of funding available as an interest free loan. For energy efficiency measures, grant funding of up to 75% of the combined costs of measures up to a maximum £7,500 is available, with an additional £7,500 of funding available as an interest free loan. There is a rural uplift of £1,500 for both the zero emission heating and energy efficiency grants for rural and island homes.

Warmer Homes Scotland (WHS) is targeted at those in, or at risk of, fuel poverty. It makes homes warmer by installing a range of insulation and heating measures into individual properties. Since its launch in 2015 the scheme has invested over £228 million and helped over 34,000 households across Scotland to live in warmer, healthier homes which are more affordable to heat. A successor scheme to WHS is launching in October 2023 that will have higher grant limits per household allowing us to deliver whole house retrofit and install more measures in individual properties. There will also be a focus on zero emissions heating where this is technically feasible and is not projected to increase running costs. Applications for this scheme are currently being accepted by Home Energy Scotland.

Area Based Schemes (ABS), launched in 2013, aims to reduce fuel poverty by funding local authorities to design and deliver energy efficiency measures in fuel poor areas. Local schemes are designed and delivered by councils, in conjunction with utility companies and local delivery partners, targeting fuel poor areas to provide energy efficiency measures to a large number of Scottish households and help reduce fuel poverty. ABS funding enables local delivery partners to offer measures at no cost or a reduced cost to owner occupiers and private landlords with fewer than four properties. In line with our commitments in the Programme for Government, the Scottish Government has maintained our annual investment in local ABS projects at £64 million in 2023-24.

Business Energy Scotland (BES) offers free specialist advice and support to small and medium sized enterprises, (SMEs) including not for profit organisations, on implementing energy efficiency and heat decarbonisation measures with the aim of cutting carbon emissions and energy costs, increasing economic competitiveness. BES is also responsible for signposting businesses to the SME Loan and Cashback Scheme and for producing the bespoke energy assessment reports required to support the application for funding.

The SME Loan and Cashback Scheme provides interest free loans from £1,000 to £100,000. A cashback grant is also available through the SME Loan Scheme to stimulate the uptake of energy efficiency and renewable heat measures. Through this financial offer SMEs can apply for a 75% cashback grant of up to £10,000 towards the costs of a renewable heating system and a further 75% cashback grant up to £20,000 for energy efficiency measures. In total SME's can access a maximum of £130,000 through the scheme.

Reasons for the delay and increase in budget for the oncology enabling projects at the Edinburgh Cancer Centre.

The Oncology Enabling Project at the Western General Hospital (WGH) in Edinburgh, comprises of three distinct projects. One of these was a new build on an area of car park and two are refurbishment of existing buildings on a very busy working hospital site. The new build section and one of the refurbishment elements were programmed sequentially whilst the other refurbishment project was dependant on another adjacent earlier project completing – these two elements of the overall project were the critical path.

The new build section was to be the first on site but started later than had been hoped due to the discovery of a site of archaeological interest in the car park area. This delay, compounded by Covid and EU exit related issues which affected progress on site and in procurement, has delayed the commencement of the subsequent refurbishment project. Once the refurbishment project gained access to the existing building it became clear that a number of existing fire compartment walls were in a poor state of repair and remedial work was undertaken. All of these issues have contributed to the programme prolongation and the cost increases.

As noted in the Major Capital Projects Update, the Oncology Enabling Project is expected to be completed in November 2023.

Additional information on the affordable housing supply programme target

To the end of March 2023, we have delivered 11,570 homes - 10.5% of the 110,000 affordable homes by 2032 target. Within that we have delivered 9,121 homes - 12% of the social rented element of the target and 79% of the total homes delivered which compares favourably with the commitment to at least 70% of homes delivered to be for social rent. There are nine remaining years to deliver the remaining homes and we continue to work closely with partners to plan and deliver the homes as quickly as possible.

We are making available £3.5 billion over the current parliament, to March 2026. The CSR reset will confirm funding to March 2027 and funding beyond this date will be a matter for the next Spending Review, expected to take place after the next Scottish Parliament election.

We do not have fixed annual profiles for homes to be delivered in the target period but will look to maximise the number of homes delivered each year within the available budget. As can be seen from the previous 50,000 affordable homes target, delivery is not evenly spread across all years and is likely to be backloaded to allow sectoral capacity to grow.

Good progress has been made to date at this early stage of the target period and we will continue to update on progress through publication of our quarterly statistics on the Affordable Housing Supply Programme. The next quarterly statistics, to end June 2023, are due to be published on 12 September. We continue to work closely with local partners to progress the delivery of affordable homes as quickly as possible.

Who will own the EV charging network in the future?

Charge points on the ChargePlace Scotland network are owned by a range of public, private and third sector organisations. There are now over 2,500 charge points on this network and Transport Scotland's role has been to grant fund the costs of installing the infrastructure as well as meeting the costs for the provision of a procured back-office function.

As highlighted in the evidence session on 29 June, it will be impractical for the Scottish Government to fund the development and expansion of the public charging network at the scale and pace required and there is clearly an opportunity to leverage investment from a growing number of well-capitalised private Charge Point Operators. This opportunity is clearly highlighted in the Scottish Government's Vision for Scotland's Public Charging Network that was published on 19 June 2023.

Transport Scotland, through its EV Infrastructure Fund, has made funding available to all of Scotland's local authorities to develop public electric vehicle charging infrastructure strategies and infrastructure expansion plans. As part of these, they are considering future public charge point needs at local and regional level, the investment required as well as the best approaches to collaborative investment with private partners. These are likely to result in the development of new models of delivery. These could include concession-type contracts between local authorities and private partners which will set out the arrangements for charge point ownership, operation, maintenance as well as revenue-share.

Local Authorities have the option to include existing ChargePlace Scotland charge points within new operating models described above, which could necessitate charge points being operated on new, alternative back-office systems, rather than the ChargePlace Scotland

system. Given an ageing ChargePlace Scotland asset base, throughout the course of a new partnership arrangement, charge points may also be replaced with new infrastructure. The ownership of these charge points at the end of a contract would be determined by the terms and conditions of that contract.

As highlighted above, as well as local authorities, there are also a range of other public, private and third sector organisations that own charge points that are on the ChargePlace Scotland Network. Transport Scotland will work with those organisations to identify opportunities for alternative back-office arrangements.

I hope this information is helpful to you and the members of the Public Audit Committee. If you have any further questions, please let me know.

The production of the next Major Capital Projects and Programmes reporting will commence in the autumn and set out the position as at the end of September 2023. My team will continue to liaise with the Public Audit Committee clerks to ensure the information provided is as helpful as possible. As noted in the latest reporting we are undertaking a review of the project pipeline to ensure it reflects current delivery conditions and funding constraints. This will be published alongside draft budget 2024-25 instead of alongside the Project and Programme updates, but we will revert to the usual package of material for future updates.

Yours sincerely

Alison Cumming



The Scottish Parliament
Pàrlamaid na h-Alba

Conveners
All Committees
Scottish Parliament

By email only

**Net Zero, Energy and Transport
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3 July 2023

Dear Convener,

Expected publication of the draft Climate Change Plan 2024-2040

I am following up on our brief discussion at the Conveners Group meeting on 21 June to propose a collaborative approach to the next draft Climate Change Plan (CCP), which the Scottish Government intends to lay in November. The CCP sets out the Scottish Government's intended actions to meet Scotland's statutory greenhouse gas emissions targets. It sets out how emissions will be reduced across key sectors (including energy, transport, agriculture, buildings and industry). It is published every five years and generally covers a 15-year timespan. It must set out—

- the costs and benefits of policies;
- how the proposals and policies are expected to impact on different sectors of the Scottish economy and different regions alongside how the workforce, employers and communities will be supported; and
- an explanation of how it takes account of Scotland's 'just transition' and 'climate justice' principles.

The CCP and reporting on progress are required by law (see [SPICe Climate Change – Subject Profile](#)). The last full CCP was published in 2018 and covers the period to 2032. A CCP update (CCPu) was published in late 2020 (the [CCPu](#)). It was scrutinised by four committees ([Environment, Climate Change and Land Reform](#); [Local Government and Communities](#); [Rural Economy and Connectivity](#); and [Economy, Jobs and Fair Work](#)). It was noted during this scrutiny that the scale of change needed has no precedent in human history and a number of detailed recommendations were made (see [SPICe Climate Change – Subject Profile](#)).

The CCP includes key policy outcomes for each sector, defined as “a measurable change on the ground resulting from a policy or combination of related policies.” The

[May 2023 CCP monitoring report](#) indicates that of the 43 policy outcome indicators, the Scottish Government classes less than half as “on track” (21), with 9 “off track” and the rest “too early to say”.

Proposed approach

The draft will be laid in the Scottish Parliament for scrutiny for a period of 120 days (of which no fewer than 60 must be days on which the Parliament is not in recess). As convener of the NZET committee, I want to encourage all committees to consider how best we can work together to scrutinise the next CCP. Previous models for collaborative scrutiny of the CCP have included—

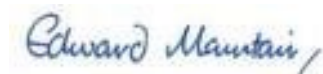
- Each committee taking the lead in scrutinising matters within its remit;
- All participating committees jointly issuing a call for views and working as collaboratively as possible in relation to stakeholder communications, engagement and media work;
- Maximising the time available for scrutiny, with each committee taking evidence and reporting separately to Parliament on issues within their remit (thus allowing time for each committee to take evidence from the relevant Minister or Cabinet Secretary);
- Having a Chamber debate on the report on the draft Climate Change Plan, following a motion signed by conveners of all committees that took part.

I suggest that this remains a good precedent to follow. The main change I would welcome from past scrutiny is *more committees* taking part in this joint work, although I do recognise that there will be some committees for whom, because of their remit, the CCP is not a priority.

To help this round of CCP scrutiny get off to a good start, I have just written to the Scottish Government to request a summary of progress on various relevant matters, such as the recommendations of [Scotland’s Climate Assembly](#) as well as progress against the [2021 Net Zero Nation: public engagement strategy](#). In doing so, I have taken the opportunity to remind the Government of recommendations from Committees’ reports on the draft CCPu about how the Scottish Government should present information to enable effective scrutiny.

I am grateful for your consideration of this letter. Once you have decided your outline approach to CCP scrutiny, it would be helpful if you could write back to me, to help keep me informed in my oversight role. If so, it would welcome a response to this letter by **27 September 2023** if possible.

Yours sincerely,



Edward Mountain MSP
Convener,
Net Zero, Energy and Transport Committee