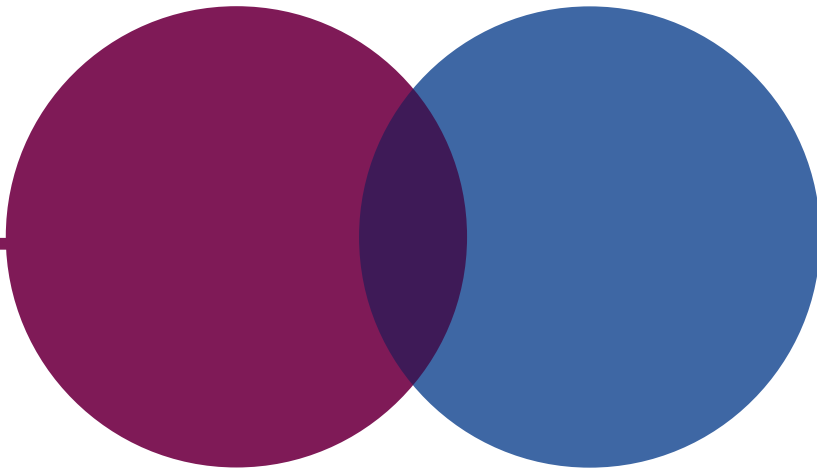




National Audit Office



Local government and net zero in England

HM Government

REPORT

**by the Comptroller
and Auditor General**

SESSION 2021-22

16 JULY 2021

HC 304

Key facts

2050

year by which government has a statutory commitment to achieving 'net zero' greenhouse gas emissions

2023–2027

period in which the UK's emissions are projected to exceed government's targets without further action

22

dedicated grant schemes for net zero work that local authorities could apply for in 2020-21

- 333** principal local authorities in England – London borough councils, unitary authorities, metropolitan councils, county councils and district councils (Figure 1)
- 91%** percentage of local authorities that have adopted at least one commitment to decarbonise in line with net zero (estimate based on a sample of 232 authorities)
- £1.2 billion** estimated grant funding provided to local authorities in 2020-21 through the 21 dedicated grant schemes relevant to net zero action for which departments could provide a breakdown of data
- 45** number of policy areas that the Ministry of Housing, Communities & Local Government identified as likely to affect the opportunities, decisions and barriers for local action on climate change in an informal stocktake carried out in March 2020

Summary

Introduction

1 In June 2019, the UK government passed legislation committing it to achieving 'net zero' greenhouse gas emissions by 2050. This is significantly more challenging than government's previous target to reduce net emissions by 80% compared with 1990 levels by 2050. Achieving net zero will require changes that are unprecedented in their scale and scope, including changes to the way electricity is generated, how people travel, how land is used and how buildings are heated.

2 In our December 2020 report on government's overall set-up for net zero we highlighted that local authorities will have a critical part to play.¹ There are 333 principal local authorities and 10 combined authorities (as well as the Greater London Authority) in England, between them providing a range of services to people in their areas which impact on net zero, such as transport planning, social housing and recycling and waste services. The services provided by individual local authorities vary with their powers and functions.

3 Local authorities are democratically elected bodies that are primarily accountable to their local communities (through elected councillors and, where applicable, mayors) for the decisions they make and how they use resources. Central government can direct local authorities to do work where there are statutory provisions for this; otherwise central government may incentivise local authorities to act, for example through voluntary engagement.

¹ Comptroller and Auditor General, *Achieving net zero*, Session 2019–2021, HC 1035, National Audit Office, December 2020.

4 A number of central government departments have responsibilities related to local authorities' work on net zero:

- The Department for Business, Energy & Industrial Strategy (BEIS) has overall responsibility in government for achieving net zero.
- The Ministry of Housing, Communities & Local Government (MHCLG) acts as a steward for the local government finance system and is responsible for the planning system.
- The Department for Environment, Food & Rural Affairs (Defra) has policy responsibility for waste.
- The Department for Transport (DfT) provides policy, guidance, and funding to English local authorities to help them run and maintain their road networks and local transport services.
- HM Treasury is responsible for allocating budgets to central government departments, and for taking decisions about local government funding at major fiscal events such as Spending Reviews, with the support of MHCLG.
- Other departments have responsibility for cross-cutting 'enablers', such as procurement and ensuring sufficient skills in the economy.

The scope and purpose of this report

5 This report responds to a request from the Environmental Audit Committee to examine local government and net zero. Drawing on lessons from our previous work (Appendix Three), it considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

6 We focus on local authority work that contributes to the UK's net zero target rather than on climate work more broadly. Our focus in this report is on local authority work that contributes to emissions reductions within the UK, rather than on work to adapt to the changing climate or to reduce the emissions associated with imported goods or services. Our report also focuses on the relationship between the UK government and local authorities in England for net zero. It does not examine how national and local government are collaborating on net zero in Scotland, Wales and Northern Ireland.

Key findings

Local authorities' role in achieving net zero

7 Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target. We reviewed a sample of local authorities' commitments in line with net zero and estimate that 91% of local authorities have adopted at least one commitment to decarbonise their own activities or their local area. We found that more than one-third (38%) of single- and upper-tier authorities have adopted a commitment to decarbonise their local area by or before 2030. Local authorities have also started a range of climate work, covering both strategic engagement such as climate assemblies, as well as practical actions such as group buying programmes for solar panels and installation of electric vehicle charge points – some of this is a result of schemes run by government departments. However, central government has yet to determine, in consultation with the sector, local authorities' overall responsibilities and priorities in achieving the national net zero target, and whether or not any of these might require a statutory basis. Without a clear sense of responsibilities and priorities we see a risk that local authority action on net zero is not as coordinated, targeted, or widespread as it might need to be. For example, some local authorities in our focus groups and workshops told us it is unclear what the most effective balance of national, local and regional action is likely to be to reduce emissions (paragraphs 1.8 to 1.10 and 1.17 to 1.20, and Figure 2).

8 Government has not yet set out to local authorities how it will work with them to clarify responsibilities for net zero. Decisions about local authorities' role in achieving the national net zero target are tied up with government's overall strategy for net zero as well as with the underpinning sector decarbonisation strategies. Government plans to publish these strategies before the next United Nations climate conference, COP26, in November 2021, and has committed to include a statement in its overall net zero strategy about respective responsibilities at national, regional and local level. Departments have carried out some engagement with the sector to help factor local authorities' perspectives into the development of these strategies. For example, DfT invited local authorities to contribute to its strategy for decarbonising transport through open and targeted consultations; MHCLG worked with a coalition of stakeholders to run a series of informal workshops on local authorities' powers and resources for net zero; and BEIS held a workshop on the overall net zero strategy with a group of local authorities representing cities. However, we are not convinced that overall the engagement has yet been sufficiently strategic or co-ordinated to determine, in partnership with the sector, as clear as possible a role for local authorities on the national net zero target. We have seen from previous work that clarifying how different organisations will contribute is critical to deliver complex policies (paragraphs 1.16 to 1.18, and Appendix Three).

9 While the exact scale and nature of local authorities' roles and responsibilities are to be decided, it is already clear that they have an important part to play.

Local authorities have an essential part to play in decarbonising local transport, social housing and waste because of their powers and responsibilities in these sectors. More broadly, key stakeholders such as the Climate Change Committee (CCC) see a key role for local authorities in encouraging and enabling wider changes among local residents and businesses to reduce emissions, through local authorities' investment and procurement decisions, planning responsibilities, and direct engagement with local people. The challenges and opportunities for local authority work on net zero will vary according to their powers, functions and local circumstances (paragraphs 1.11 to 1.15, 1.21 and Figure 3).

10 Current reforms are a critical opportunity to ensure that the national planning framework supports local authorities to align decisions with net zero.

MHCLG is developing a series of plans and legislation to reform the National Planning Policy Framework, which local authorities with planning responsibilities have to follow. The aim of the reforms is to simplify and speed up the planning system, with the ambition of "supporting the delivery of homes that local people need and creating more beautiful and greener communities". It has not yet set out how it will ensure these changes align with the net zero target, beyond a proposed ambition to set a Future Homes Standard for 2025, which it expects would lead to new homes producing 75%–80% lower CO₂ emissions compared with current levels. Government expects to bring the Planning Bill before Parliament during 2021 but it is likely to be a couple of years before the new planning framework is operational. More broadly, the CCC and others have raised concerns that the pace of change on building standards is too slow, because of the number of new homes being built that will require retrofitting (paragraph 1.23).

11 There is little consistency in local authorities' reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.

Local authorities have taken many different approaches to reporting their activities and progress. BEIS has taken steps to help local authorities understand and measure their carbon emissions and to promote consistent voluntary emissions reporting, including by funding the development of an emissions calculating tool that is free for local authorities to use. Given the pace of change required to get to net zero, it will be important for all bodies involved in delivery to learn from what works so they can make progress at the pace and scale required (paragraphs 1.21, 1.24 and 1.25).

12 Overall, local authorities find it hard to engage with central government on net zero.

Local authority representatives we spoke to told us that there was a lack of coordination across government of departments' different requirements. In March 2020 in an informal stocktake MHCLG found around 45 policy areas across five departments that are likely to impact on the opportunities, decisions and barriers for local action on climate change; it recognises that this poses a significant risk of inconsistent goals and messages (paragraphs 1.28 and 1.29).

13 Departments have started to coordinate their engagement with local authorities on net zero but there is no single senior point of responsibility for making more fundamental improvements. In April 2020 MHCLG set up a new cross-department local government policy group to discuss local government action on climate change mitigation and adaptation. The group discussed proposals for climate change officers in local authorities to feed into a local climate action taskforce which would be sponsored by a minister. However, this was put on hold because of the COVID-19 pandemic, and BEIS is now considering options for improving engagement between local and central government as part of the net zero strategy. In the meantime, MHCLG is working with a coalition of local authorities, environmental groups and academics to run a series of workshops on the powers and resources required for local government to deliver on net zero (paragraphs 1.17, 1.31 and 1.32).

Local authorities' resources and skills for net zero

14 Funding is a critical issue for local authority work on net zero. Local authority finances have been under pressure after a period of funding reductions and growth in demand for services, and the impact of the COVID-19 pandemic. Notwithstanding government's financial support to the sector during the pandemic, the financial position of local government remains a cause for concern, and for many local authorities spending is increasingly concentrated on statutory duties. The scale and nature of the net zero funding requirements for local authorities will partly depend on decisions about their role in reaching the UK's statutory net zero target. At the least, local authorities will need the spending power to decarbonise their own buildings and the social housing they own, and to build the skills to incorporate net zero into their existing functions such as transport planning (paragraphs 2.3 and 2.21).

15 Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

There are three main sources of funding that central government provides to local authorities, that could be used towards their work on net zero:

- Core settlement funding, a government contribution to local authority finance coordinated by MHCLG which is unrestricted and governed by the local accountability system. Local authorities may choose to spend some of this funding on net zero.
- Dedicated grant funding for work related to net zero, which local authorities can bid for.
- Wider funding that is targeted at other or more general outcomes, such as social or economic growth, but which require, encourage or allow the delivery of net zero objectives.

From late summer 2021, the UK Infrastructure Bank will also be able to lend up to £4 billion to local authorities to help them achieve the net zero target and support economic growth. MHCLG and HM Treasury have not so far carried out an overall assessment of what funding local authorities are able to use for their work on net zero. This would help determine how much local authorities are able to draw on core settlement funding in practice, and whether the balance of different types of funding is likely to be effective (paragraphs 2.3, 2.4 and 2.16).

16 Our analysis shows that dedicated grant funding for local authority work on net zero increased significantly in 2020-21 but remains fragmented. We estimate that in 2020-21 there were 22 grant funds that local authorities could apply to for net zero-related work. Departments provided us with a breakdown of funding data for 21 of these funds, on the basis of which we estimate that:

- these 21 funds provided £1.2 billion to local authorities in 2020-21. This is over 16 times more than the £74 million provided in 2019-20, due to the creation of five new funds, four of them initiated partly as a result of an economic stimulus response to the pandemic; and
- when funding from these 21 funds to different levels of local authorities is combined, 17 local authority areas received £20 million or more each through these funds while 37 received less than £2 million each. In terms of funding per person, 14 local authority areas received £50 or more per person from these funds, while 67 received less than £12.50 per person from these funds (paragraphs 2.5 to 2.8, and Figure 6 and 7).

17 The nature of grant funding can hinder value for money. While competitive processes can help focus funding on the best projects, a fragmented funding landscape dominated by competitive funds brings the risk that money does not go to where the need or opportunity is greatest, and it can make it difficult for local authorities to plan for the long term. It can also mean that local authorities that have been successful in winning funding previously continue to win most of the funding, because they have people with the expertise and time to identify suitable grants and apply. These challenges can be more severe where funds have short timescales for application and delivery. Some local authorities we spoke to were particularly concerned about the Green Homes Grant Local Authority Delivery scheme's timetable, which had restrictively short timescales for both application and delivery (paragraphs 2.9, 2.10 and 2.25, and Figure 8).

18 Local authorities have varying levels of capacity to engage with net zero.

While we heard at a roundtable discussion that a few councils have climate teams of around 30 people, in a Local Government Association climate change survey in 2020, 79 out of 90 respondents thought a lack of workforce capacity was a moderate or significant barrier to tackling climate change and 70 respondents identified skills and expertise as a moderate or significant barrier. Recent reports by the CCC have also raised concerns about the need to develop skills in the wider supply chain to enable local authorities' work on net zero, especially on energy efficiency and low-carbon heating. In November 2020, BEIS and the Department for Education jointly established a ministerial-led Green Jobs Taskforce to support policy and strategy development for a green recovery and net zero (paragraphs 2.22, 2.23 and 2.26).

19 Government has taken steps to encourage local authorities to use wider funding for economic growth and “levelling up” in a way that aligns with net zero.

Local authorities will need to manage the links between net zero and their wider work on other government policy objectives such as tackling inequality, improving air quality and adapting to climate change if they are to avoid efforts pulling in different directions and make the most of opportunities for co-benefits. Five key funds for local authorities to support local growth and tackle inequalities include criteria or statements to encourage local authorities to invest in projects that support, or at least do not work against, the achievement of net zero. These funds have also explicitly sought to address skills and resources shortages in local authorities by including capacity funding or support to help them prepare bids. The impact of these funds for net zero will depend on how stringently local authorities apply the criteria in practice (paragraphs 2.13 and 2.14).

20 BEIS has set up dedicated organisations to support local authorities on energy decarbonisation and DfT is setting up a similar body on active travel.

BEIS's Heat Networks Delivery Unit has supported local authorities on heat networks since 2013. In 2017 BEIS created five local energy hubs, which together with its local energy team, provide support to local authorities to deliver low-carbon economic growth. In July 2020, DfT announced a new funding body and inspectorate, Active Travel England, whose role would include improving capacity and assistance for local authorities on active travel initiatives, designed to help decarbonise transport. BEIS has not carried out a recent evaluation of the merits of providing support via dedicated organisations, or how accessible these are to all local authorities, but considers that the scale of projects they have helped develop is a strong indicator of their success. For example, as at June 2021 the hubs had helped complete or commission 64 projects totalling £120 million, with 314 'live' projects in the pipeline totalling £703 million (paragraph 2.17).

21 The standard approach to Spending Reviews is not likely to provide an adequate analysis of local authorities' resourcing for net zero. HM Treasury expects to start the next Comprehensive Spending Review in summer 2021, which will allocate budgets to departments over the medium term, including funding to local authorities. It expects net zero to feature more in future Spending Reviews and has recognised that it needs to strengthen the process for assessing climate impacts. An integrated view of public spending across organisational boundaries and over the long term is key to making well-informed budgeting decisions. Our previous work has found that the Spending Review structure has not been well suited in the past to deal with issues that span departmental boundaries, nor to ensure sufficient focus on the long term. Departments have not yet decided how they will work together to ensure that the next Spending Review is informed by a coherent and strategic analysis of resourcing for local authority action on net zero. Responsibilities for considering local authorities' resourcing for net zero are split across government, with MHCLG, BEIS, DfT, Defra and HM Treasury all having relevant initiatives and responsibilities (paragraphs 2.18 to 2.21).

Conclusion

22 While the exact scale and nature of local authorities' roles and responsibilities in reaching the UK's national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector's powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government's approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities' overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities' ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

23 MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach, including because of the imminence of the next United Nations climate conference, COP26.

Recommendations

24 To improve its collaboration with local authorities on net zero, the main departments that engage with local authorities on net zero (BEIS, MHCLG, DfT and Defra, working with HMT) should:

- a** **establish a clear lead in central government for developing the way departments work with local authorities on net zero.** This individual or group should:
 - i) act as a primary point of contact for local authorities on net zero;
 - ii) take lead responsibility for tracking government's progress in tackling the challenges identified in this report;
 - iii) identify and disseminate good practice and learning; and
 - iv) report progress to the cross-government Board for net zero (the net zero National Strategy Implementation Group (NSIG)), so that they can help resolve any ongoing challenges.

- b** **work in partnership with local authorities and their representative bodies to develop a dedicated section in the overall and sector decarbonisation strategies to set out how key actions, decisions and responsibilities will be split across national, regional and local government bodies.** This should:
 - i) reflect the different roles and responsibilities of different types of local authorities whether district, county or unitary, in predominantly rural or urban areas, and the level of deprivation in their local areas;
 - ii) explicitly distinguish between action that all local authorities will need to take if the UK is to meet net zero by 2050, and action that local authorities can most usefully take where they wish to forge ahead more quickly; and
 - iii) recognise that for some issues there will be unavoidable uncertainty about who will be best placed to do what, and set out the principles that will underpin these choices and an expected timetable for making these decisions.

As part of clarifying these responsibilities government should consider the case for a statutory duty for local authorities on net zero.

- c** **set out a clear pathway for how government expects to further align the planning system with net zero** in the forthcoming planning reforms.

- d convene a local and central government working group to establish a few simple standards for local authority reporting on net zero.** This group should have a clear remit to develop standards that make it quicker and easier for local authorities to report net zero progress, for government to form a picture of overall progress, and to facilitate sharing of good practice, without adding unnecessary burdens. Its recommendations would not need to be mandatory to have benefit.
- e carry out an overall outline analysis of local authority funding for net zero, to inform the next Comprehensive Spending Review.** This should:

 - i) be developed in parallel with, and informed by, the development of a clearer articulation of local authorities' role in achieving the national net zero strategy;
 - ii) consider short, medium and long-term cost pressures and funding requirements to allow local action in line with the national decarbonisation strategies;
 - iii) explicitly reflect that not all components of costs are knowable or certain at this time, particularly over the long-term. Where possible it should determine a range of potential cost implications for local authorities and where it is not even possible to determine a range yet, it should set a timetable for updating this part of the analysis as different aspects of government's approach to net zero are developed; and
 - iv) consider how to improve the way that funding is provided to local authorities for net zero action, so that local authorities have the long-term certainty they need to plan effectively and build skills and resources, and so that an appropriate portion of the money goes to where need is greatest.
- f set an appropriate review point, within the next 18 months, to assess the extent to which local authorities have in practice been able to use wider funding for economic growth and 'levelling up' in ways that align with net zero** and to identify and address any challenges.
- g work with local authorities to assess the skills gaps for their work towards the national net zero target and how these might be addressed,** drawing on the work of the Green Jobs Taskforce.

25 We also recommend that **the local government sector considers how best to disseminate good practice on local authority work on net zero** given the scale and urgency of the net zero challenge, and the wide range of different opportunities and challenges that local authorities will encounter in their net zero work.