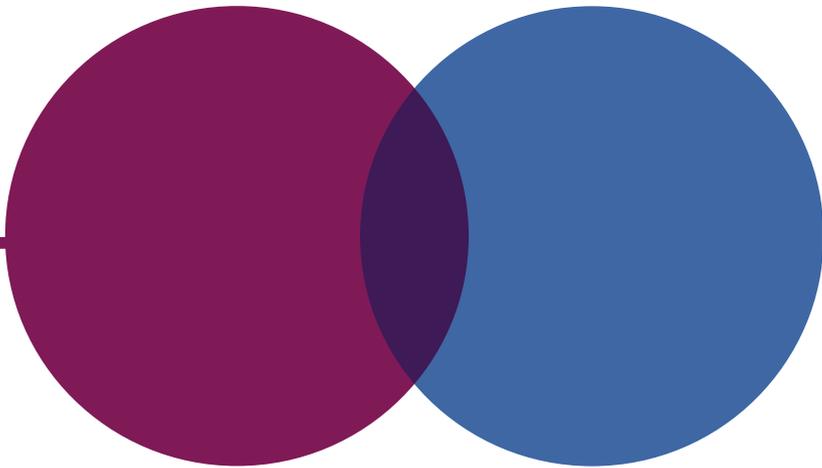




National Audit Office



Local government and net zero in England

HM Government

REPORT

**by the Comptroller
and Auditor General**

SESSION 2021-22

16 JULY 2021

HC 304



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HM Government

Report by the Comptroller and Auditor General

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Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

12 July 2021

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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.

Part One

Local authorities' role in achieving net zero

1.1 This part of the report considers:

- local authorities and their relationship with central government;
- the scale and urgency of the net zero challenge;
- local authorities' commitments and actions so far towards net zero;
- local authorities' potential role in achieving the national net zero target by 2050;
- risks associated with the lack of clarity over local authorities' role for the national net zero target;
- local authorities' reporting of plans and progress for net zero; and
- communication between central and local government on net zero.

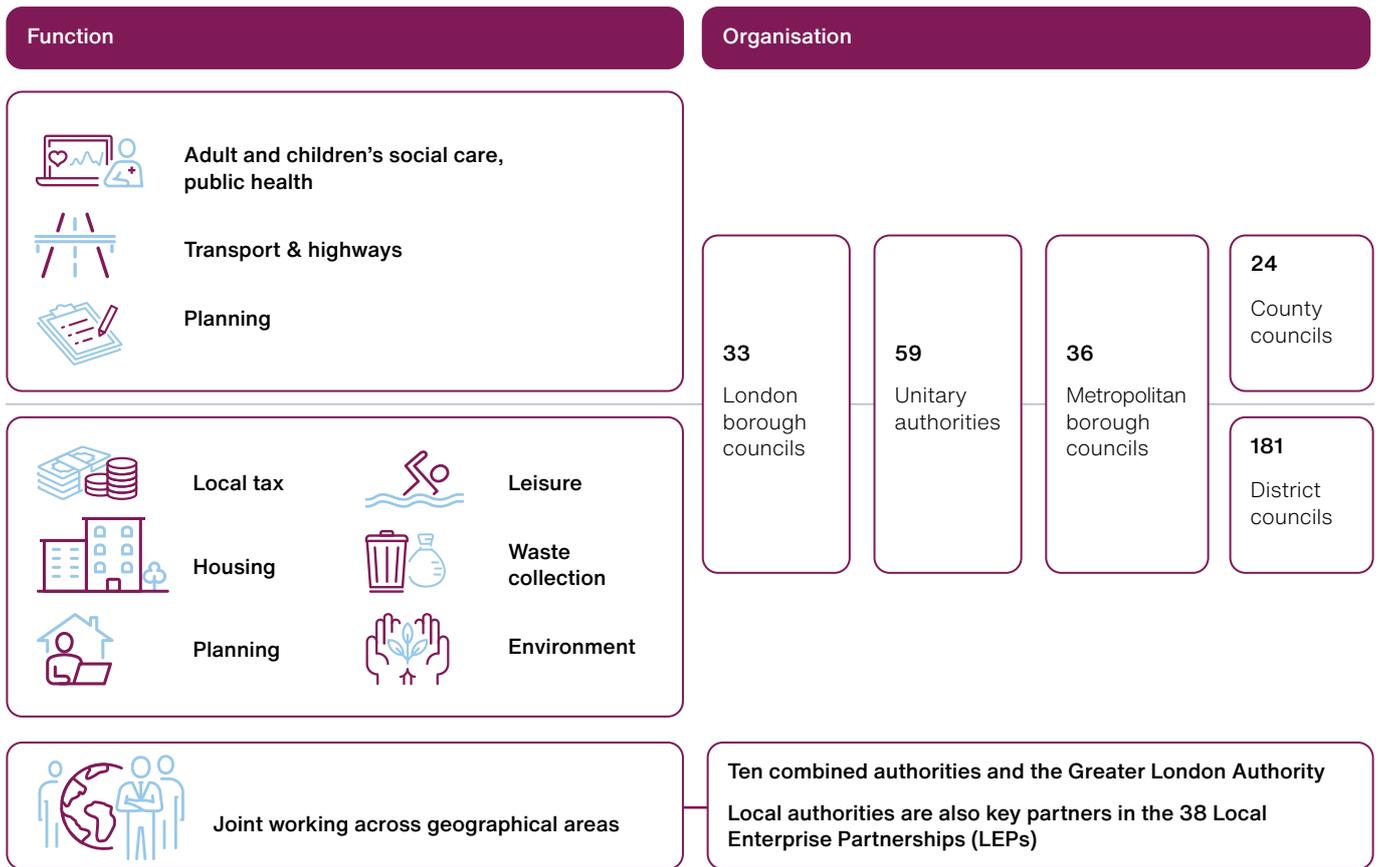
Local authorities and their relationship with central government

1.2 Local authorities are democratically elected bodies that are accountable to their local communities (through elected councillors and, where applicable, mayors) for the decisions they make and how they use resources. Different types of local authority have different statutory powers and functions (**Figure 1** overleaf), they cover geographical areas of different sizes and with different characteristics, and they vary by population (for example, West Midlands Combined Authority covers an area with four million residents whereas Rutland County Council has 40,000). There are also smaller local authorities with unique structures, for example the City of London and the Isles of Scilly have 9,700 and 2,200 residents respectively.

1.3 Central government sets a framework of legal duties and financial controls that local authorities operate within; it can only direct local authorities to act where there are agreed requirements and associated funding in place. Otherwise local authorities are free to set their own priorities and make decisions about how to allocate resources, subject to the different powers and functions devolved to each type. Central government can also incentivise local authorities to act, for example: by offering funding for specific activities that local authorities can bid for; or through voluntary engagement and support, offered either to local authorities directly or via representative organisations in the sector.

Figure 1
The types and functions of local authorities in England

From April 2021 there are 333 principal local authorities in England



Local authorities outside the scope of this report

Fire and rescue authorities, police and crime commissioners and other police authorities, joint waste authorities, national parks authorities and parish and town councils.

Notes

- 1 We include as principal local authorities the London borough councils and the Corporation of London; unitary authorities and the Council of the Isles of Scilly; metropolitan councils, county councils; and district councils.
- 2 Combined authorities are set up using legislation that enables a group of two or more councils to collaborate and take collective decisions across council boundaries. Combined authorities must be initiated and supported by the councils involved and have varying powers and funding devolved to them by national government. We include the Greater London Authority, a regional body, with combined authorities.

Source: National Audit Office

The scale and urgency of the net zero challenge

1.4 In June 2019, government passed legislation committing it to achieving ‘net zero’ greenhouse gas emissions by 2050. This means that the greenhouse gases the UK still emits in 2050 must be equal to or less than what is removed from the atmosphere by either the natural environment or carbon capture technologies. This is a significant increase in the level of ambition from government’s previous emissions reduction target, set in 2008, for the UK to reduce its net greenhouse gas emissions in 2050 by 80% compared with 1990 levels. Between 1990 and 2018, emissions have reduced by 43%²; and since 2008, most of the reduction has come from changes in the way electricity is generated, including a switch away from coal and increased supply from renewable sources such as wind and solar power.

1.5 Reducing emissions further to achieve net zero will require changes that are unprecedented in their overall scale. Meeting the net zero target is therefore one of the biggest, most complex and cross-cutting challenges that government faces:

- All sectors of the UK economy will need to consider how to decarbonise and this will require changes – such as to the way people travel, how land is used and how buildings are heated – that will impact on all of our lives.
- There are links between achieving net zero and government’s wider objectives, such as to “level up” the prosperity of different regions of the UK and government’s ambition for a “green recovery” from the COVID-19 pandemic.
- There are also links between different activities required to achieve net zero, such as between sectors (for example, the increasing take-up of electric vehicles to reduce surface transport emissions will increase demand on the power sector), or where multiple sectors are drawing on the same resources (for example, in terms of land use or supply chains).

1.6 The Climate Change Act established a system of legally binding carbon budgets which limit the country’s net greenhouse gas emissions in successive five-year periods. In April 2021, government adopted the recommendation of the Climate Change Committee (CCC) and committed to set a statutory target for the sixth ‘carbon budget’ to reduce the UK’s emissions by 78% from 1990 levels, by 2035.³ While UK emissions were, or are expected to be, below the caps set by the first three carbon budgets up to 2022, the Department for Business, Energy & Industrial Strategy’s (BEIS’s) analysis suggests that without further action, the UK will exceed its carbon budgets for the periods 2023 to 2027 and 2028 to 2032. The CCC has stated that the sixth carbon budget can only be achieved if government, regional agencies and local authorities work seamlessly together.

2 Emissions reduction according to *2018 UK Greenhouse Gas Emissions: final figures - statistical release*, published by the Department for Business, Energy & Industrial Strategy in February 2020.

3 The Climate Change Committee is an independent statutory body established under the Climate Change Act 2008. It advises the UK and devolved governments on emissions targets and reports to Parliament on progress made.

Local authorities' commitments and actions so far towards net zero

1.7 Some local authorities have a history of commitments to reduce emissions that pre-date both the national net zero target and the 80% target set by the Climate Change Act 2008. Between 2000 and 2008, more than 300 UK local authorities and partner organisations signed the Nottingham Declaration on climate change. Signatories committed to develop an action plan within two years to tackle the causes and effects of climate change and reduce greenhouse gas emissions, although as these commitments were made more than a decade ago, it is hard to tell whether and to what extent local authorities acted on them. Between 2008 and 2014, central government collected information on emissions from local authorities' estates and operations for the first time, initially against a voluntary national indicator introduced by the then Ministry for Communities and Local Government and, from 2011, by the Department for Energy and Climate Change (DECC). By 2013, DECC had collected emissions reports from more than 250 local authorities.

1.8 We estimate that since 2018, 91% of local authorities in England have formally adopted at least one new or updated commitment with the aim of reducing emissions at least as quickly as the national net zero target, although these vary in scope (**Figure 2**). This corresponds with the growth of the international climate emergency movement in the UK, the aims of which are to build public awareness; demand that governments declare a climate emergency; and demand climate mobilisation at sufficient scale and speed to prevent catastrophic climate change. Many local authorities in England have adopted a statement of climate emergency since 2018; we also identified some authorities that have made commitments to reduce emissions without adopting such a statement.

1.9 Overall, local authorities' current commitments to reduce emissions vary from specific and well developed to more general, and from definitive to more tentative. These commitments are typically framed around reducing emissions from an authority's own activities, from within a local area, or both. Our work to understand local authorities' commitments found they could be interpreted narrowly or more broadly depending on the terminology an authority had used, for example only some commitments specify which types of emissions are included. There was also no set order in which local authorities developed their commitments; we found examples that were adopted both before and after work to understand what was feasible for an authority to deliver.

Figure 2

Local authority commitments in line with net zero

Local authorities have made a range of commitments to reduce emissions in line with net zero, although these vary in scope¹

A commitment to work towards carbon neutral or net zero emissions in the local authority area	73% of single and upper tier authorities ² (base 152)
Of which ³	
By or before 2030	38%
Between 2031 and 2050	33%
No date set	3%
A commitment to work towards carbon neutral or net zero emissions from their own activities	75% of local authorities in our sample ⁴ (base 232)
At least one commitment to work towards carbon neutral or net zero emissions with any scope	91% of local authorities in our sample ⁴ (base 232)

Notes

- 1 We counted as commitments any policy statements by local authorities to work towards net zero emissions or to be carbon neutral (Appendix 2). We did not review how all the local authorities in our sample had described the terms they used. Of those we looked at in detail, local authorities had either specifically defined the terms as being interchangeable; explained 'carbon neutral' with reference to both reducing and offsetting emissions; or not specified what they understood the terms to mean.
- 2 We have included as single- and upper-tier authorities: county councils, metropolitan borough councils, London boroughs (including the City of London) and unitary authorities (including the Isles of Scilly). We have not included district councils or combined authorities in this calculation to avoid any double counting of shared commitments within the same geographical area.
- 3 Percentages do not sum due to rounding.
- 4 These percentages are estimates based on sample of 232 local authorities in England. The sample consists of the 152 single and upper tier authorities (that is, 33 London borough councils (including the City of London), 59 unitary authorities (including the Isles of Scilly); 36 metropolitan borough councils; 24 county councils); 10 combined authorities and the Greater London Authority; and a stratified random sample of 69 district councils.

Source: National Audit Office analysis of local authorities' commitments to be net zero or carbon neutral

1.10 Local authorities across England have committed to a wide range of actions to reduce emissions. We found examples across all types of local authorities of work to reduce emissions, including:

- **practical steps to decarbonise what is in the authority's direct control** such as switching to renewable energy for public buildings, or funding retrofit projects to make energy efficiency improvements to local authority-owned housing;
- **organisational changes to embed decarbonisation in decision-making, funding and purchasing** for example by providing carbon literacy training to staff or developing tools to assess the impact on emissions of local authority decisions;
- **partnership working between local authorities and with other organisations in an area** for example, some local authorities are members of local climate partnerships, through which members coordinate work to reduce emissions and engage with residents; and
- **wider work to engage communities and influence or incentivise people and businesses to act** such as by: convening climate assemblies or citizens' panels; providing group buying programmes to give affordable access to solar panels; installing charge points for electric vehicles; or providing targeted funding to businesses to help them reduce their carbon footprint or energy use.

Local authorities' potential role in achieving the national net zero target by 2050

1.11 Many local authorities are keen to play a core role in delivering net zero, for example the UK100 group of local authority leaders published *Power Shift 100* (April 2021), which highlighted the essential role that local authorities have in decarbonising local transport, buildings, energy and waste, as part of a wider review of whether local authorities have the powers and duties they need to act. The report highlights that overarching powers held by local authorities such as for spending, borrowing and investment and for procurement can also have a role in reducing emissions. In addition to their existing powers, we have identified or heard from local authorities that are seeking to develop their potential to use investment, procurement, and planning powers, coordinate partnerships and encourage public engagement to help achieve net zero.

1.12 There are areas where local authorities' existing powers and responsibilities give them an essential part to play in decarbonisation including:

- **on transport:** Local authorities determine local transport policies and objectives with responsibility for 98% of publicly owned roads in England. This means local authorities have an important influence over local provision for bus journeys, walking and cycling, and on-street charging facilities for electric vehicles;
- **on housing:** Local authorities are directly responsible for council housing (7% of all homes) and can have an influence on private registered providers of social housing (10% of all homes), as well as holding responsibility for their own buildings. This means local authorities can influence the energy efficiency and the installation of low-carbon heating in these buildings; and
- **on waste:** Local authorities have a statutory duty to collect and dispose of household waste. Most of the greenhouse gas impact from waste is from methane from the decomposition of biodegradable waste in landfill. Reducing waste and increasing recycling are key to cutting this source of emissions. Using electric or hydrogen-fuelled vehicles can help reduce emissions from waste collection.

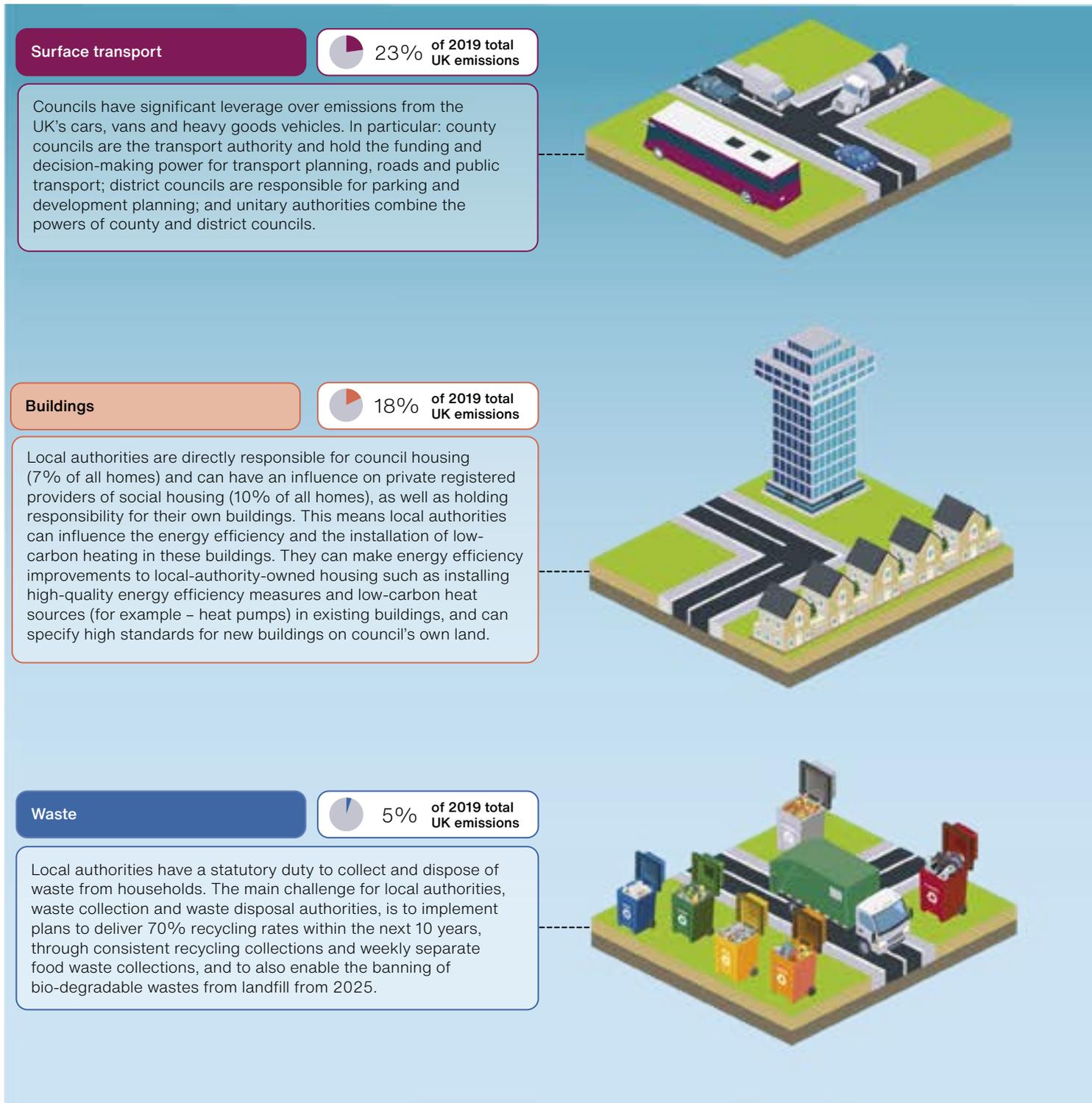
1.13 Stakeholders such as the CCC and Green Alliance agree that there is considerable potential for local authorities to play a key role in achieving net zero:

- The CCC has reported that around one-third of the UK's emissions are dependent on sectors that are directly shaped or influenced by local authority practice, policy or partnerships. It has identified areas where it expects local authorities to have a key role in reducing greenhouse gas emissions (**Figure 3** on pages 22 to 25). In its *Progress in Reducing Emissions 2021 Report to Parliament*, CCC recommended "a framework for local delivery to deliver ambitious climate objectives at different scales (that is, devolved administrations, regions and local authorities), through workable business models, removal of barriers to action, dedicated resource and an approach that facilitates sub-national action to complement action at the national level".
- Green Alliance, an independent environmental think tank, worked with local authorities to produce *The Local Climate Challenge* (December 2020). The report highlighted the influence over emissions that local authorities can have through transport and planning policy and through the management of their land and buildings, as well as being vital partners for central government in tailoring and progressing climate policy. The report states that without more expertise, funding and an enabling central government framework, they cannot begin to make the changes they want to, and consequently they are missing out on the local economic and social opportunities of doing so.

Figure 3

Examples of key actions the Climate Change Committee (CCC) considers that local authorities should take to reduce emissions

The CCC identified a wide range of opportunities for local authorities to reduce greenhouse gas emissions across several sectors

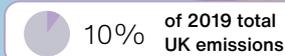


Aviation and shipping



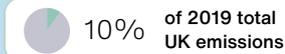
Some local authorities own airports (for example Luton, Manchester). Local authorities owning airports or with airports in their area should encourage these airports to reduce their direct emissions and indirect emissions from purchased energy use to net zero, connect to public transport networks and engage with sustainable aviation networks.

Agriculture and land use, land use change and forestry



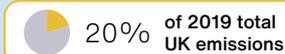
Local authorities are a key stakeholder in the management of land. They have a range of powers, levers and influence over land use and related emissions through land ownership, highways functions and development planning.

Power

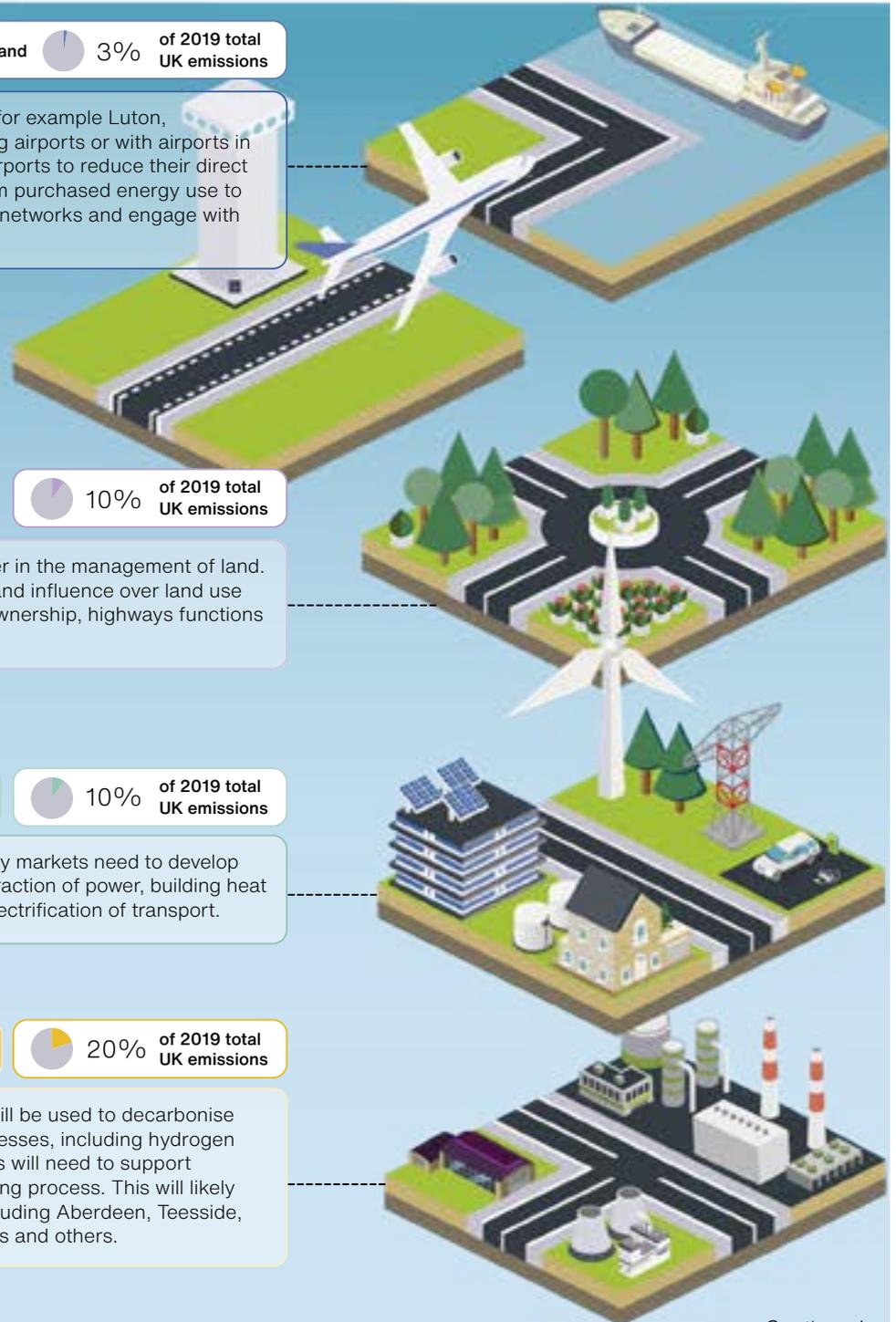


Local authorities, investors and energy markets need to develop project pipelines for the complex interaction of power, building heat demand, hydrogen, biogas and the electrification of transport.

Industry



Carbon capture and storage (CCS) will be used to decarbonise industrial and power generation processes, including hydrogen production. Local planning authorities will need to support CCS development through the planning process. This will likely focus around clusters of industry including Aberdeen, Teesside, Merseyside, the Humber, South Wales and others.



Continued

Figure 3 *continued*

Examples of key actions the Climate Change Committee (CCC) considers that local authorities should take to reduce emissions

Sector	Strategy and policy	Enabling and communication
Surface transport	<p>Ensure that policies and plans support walking, cycling and public transport.</p> <p>Work jointly with bus operators to provide a bus network that is rapid, reliable and affordable.</p> <p>Use parking powers to repurpose parking spaces for car clubs, cycle parking and Electric Vehicle (EV) charging; scale parking charges to promote the use of public transport.</p> <p>Implement Low Emission and Clean Air zones and Air Quality Management Areas to reduce polluting traffic.</p>	<p>Communications and conversations with residents and businesses on their travel and transport needs to prepare the way for changes.</p> <p>In rural authorities reduce car reliance, promote EV use and support innovations in rural bus services and shared transport.</p> <p>Reduce business and customer travel to council services.</p> <p>Promote EV uptake by installing EV charge points, switching fleets to EVs.</p> <p>Support logistics improvements to reduce heavy goods vehicle emissions using traffic powers; restricting vehicle type, weight and delivery times in specific areas.</p>
Buildings	<p>Develop an energy efficiency and decarbonised heat strategy and action plans for delivery in the 2020s.</p> <p>Update carbon reduction plans for the council estate to bring them in line with net zero.</p> <p>Local planning authorities currently developing Local Plans should gather evidence to support policies that require developments to exceed current building standards.</p>	<p>Provide advice and information for residents and businesses on energy efficiency and low-carbon heating options.</p> <p>Invest in energy, housing and environment staff and skills.</p> <p>Raise awareness and engage key staff across the whole council.</p> <p>Build capacity to partner in research, demonstration, pilot and pathfinder projects.</p> <p>Housing and Economic Development teams should collaborate to provide support to the local supply chain in the building and installer sectors.</p> <p>Identify areas suitable for heat networks, which are effective in providing low-carbon heat to dense areas.</p>
Waste	<p>Planning ahead to ensure emissions are locked out rather than locked in at procurement, as 10-year waste contracts with renewal options are in place in many local authorities.</p> <p>Procure electric or hydrogen-fuelled waste and recycling vehicles when vehicles need renewing.</p> <p>Collection authorities should prepare to provide or continue to provide separate collections for recyclable/ compostable materials.</p>	<p>Include waste minimisation messages in climate emergency, public health and resilient recovery communications.</p> <p>Local authorities should ensure their Local Enterprise Partnerships support the development of a circular economy, including supporting resource efficiency and materials processing and reuse.</p>
Aviation and shipping	<p>Local authorities in their planning role have an influence over airport expansion, which can affect transport emissions, and installation of new fuel production and storage facilities; this could include facilities for sustainable aviation fuel production.</p>	

Figure 3 *continued*

Examples of key actions the Climate Change Committee (CCC) considers that local authorities should take to reduce emissions

Sector	Strategy and policy	Enabling and communication
Agriculture and land use, land use change and forestry	<p>Make Biodiversity Net Gain a priority alongside emission reduction in planning policy.</p> <p>Support woodland creation and management compliant with the UK Forestry Standard.</p> <p>Increase urban green space.</p> <p>Introduce marine management strategies that put in protection and recovery for marine life.</p> <p>Support Green Finance Initiatives.</p>	<p>Promote the benefits of woodlands, wildlife and nature.</p> <p>Provide business support to farmers and landowners to integrate climate change and farming.</p> <p>Support farm building and infrastructure modernisation and low-carbon refurbishment through planning policy.</p> <p>Support peatland restoration and engage with farmers on cover cropping, re-wetting and Environmental Land Management schemes.</p> <p>Promote government healthy eating guidelines, local procurement and so on.</p>
Energy	<p>Work with distribution network operators, neighbouring authorities and across their wider climate and energy partnerships to prepare local energy plans for the area.</p> <p>Switch to renewable and low-carbon electricity.</p> <p>Local Plans should support renewable energy and low-carbon heat.</p> <p>Develop an onshore wind strategy.</p>	<p>Support local people and community energy organisations to install renewable generation for on-site local use, and link this to energy efficiency behaviours.</p> <p>Work with employers and training providers to assess and improve skills availability for the renewable and low-carbon energy sector.</p> <p>Increase skills and knowledge of the energy system, UK energy markets and upcoming technological and societal changes. This will build capacity to develop funding bids, manage projects and work effectively with regional Energy Hubs and partners.</p>
Industry	<p>Local planning authorities will need to support CCS development through the planning process.</p> <p>Local planning authorities should be supportive of ports applying to install new shore-based power facilities and renewable hydrogen or ammonia production facilities.</p>	

Note

1 2019 emissions figures are taken from Climate Change Committee, Progress in reducing emissions, 2021 Report to Parliament.

Source: National Audit Office summary of Climate Change Committee report: Local authorities and the 6th Carbon Budget, December 2020

1.14 There is also likely to be a role for local authorities in relation to engaging the public with net zero, and in influencing the decisions and actions of people and businesses in their area. BEIS research into public dialogue on net zero found that there were perceived gaps in the way the public had been directly addressed on net zero, and that the implications and expectations for individuals, society and businesses will need to be clearly set out by central and local government, alongside the support that will be provided to start to raise awareness and buy-in.

1.15 Organisations including the CCC and the partners in the Blueprint Coalition see a role for local authorities in influencing public behaviour to reduce emissions.⁴ For example, the CCC has reported that nearly 60% of the changes in its pathway to the sixth carbon budget rely on societal or behavioural changes, and notes that local authorities' leadership role with the public puts them at the heart of developing and replicating local solutions. The Blueprint Coalition sees local authorities as essential to encouraging longer-term behaviour change, such as by providing better-quality, accessible public transport and safer provision for walking and cycling.

Risks associated with the lack of clarity over local authorities' role for the national net zero target

1.16 Given the complexity and cross-cutting nature of the work that will be required to meet the national net zero target, it will be important for central and local government to work together, to reach a clear, shared understanding of roles and responsibilities for net zero. In particular, our work on improving operational delivery in government has highlighted the importance of taking a 'whole systems' approach to delivering complex policies to enable organisations to work effectively together, adapt to changing demands and sustain improvements.⁵ Our work on government's approach to COVID-19 has reinforced the importance of these factors when working across local and central government (Appendix Three).⁶

1.17 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 an overall strategy for net zero and associated sector decarbonisation strategies before the next United Nations climate conference, COP 26, in November 2021. In *Achieving net zero* (December 2020), BEIS told us that it expected local authorities' roles to be clarified through these strategies. Departments have engaged with the sector to help factor local authorities' perspectives into the development of these strategies, although the extent and nature of this engagement varies:

- BEIS is responsible for developing the overall net zero strategy and, with the Ministry of Housing, Communities & Local Government (MHCLG), a sector strategy for heat and buildings. BEIS has set out options to consider the role of place in developing the overall net zero strategy, and it has held or is planning to hold workshops on the overall strategy with local authorities' representative groups for cities and combined authorities respectively. For the heat and buildings strategy, the BEIS local energy team are developing a place-based analysis, drawing on their knowledge of the local government sector.

4 The Blueprint Coalition brings together ADEPT (Association of Directors for the Environment, Planning & Transport), Ashden, Friends of the Earth, Grantham Institute, Green Alliance, Greenpeace, LEDNet (London Environment Directors' Network), PCAN (Place-Based Climate Action Network) and SOLACE -and is backed by more than 125 local authorities.

5 National Audit Office, *Improving operational delivery in government: A good practice guide for senior leaders*, March 2021.

6 Comptroller and Auditor General, *Initial learning from the government's response to the COVID-19 pandemic*, Session 2021-22, HC 66, National Audit Office, May 2021.

- MHCLG is working with the Blueprint Coalition to run a series of informal workshops on the powers and resources that the Coalition has identified as required for local government to deliver on net zero. The workshops will cover: growing the zero-carbon economy; governance and accounting; buildings retrofit and planning; transport; nature; and waste and consumption.
- The Department for Transport (DfT) held an open consultation on its transport decarbonisation plan in July and August 2020 that invited views from stakeholders including local authorities. It also ran a series of workshops with local authorities, Local Enterprise Partnerships and other interested parties to discuss issues and possible solutions.
- The Department for Environment, Food & Rural Affairs (Defra) is developing a chapter for the overall net zero strategy that will set out plans to decarbonise waste, land use (agriculture, forestry and peatlands) and fluorinated gases. It is not carrying out separate consultation with local authority stakeholders on this chapter. Defra discusses policies relevant to decarbonising waste with the Resources and Waste Strategy Stakeholder Advisory Group, the membership of which includes the Association of Directors of Environment, Economy, Planning & Transport (ADEPT) and the Local Government Association (LGA).

1.18 Overall, we are not convinced that this engagement has yet been sufficiently strategic or coordinated to determine as clear as possible a role for local authorities on the national net zero target in partnership with the sector. Government has committed to include a statement in its overall net zero strategy about respective responsibilities at national, regional and local level, but it has not yet set out to local authorities how it will work with them to specify the split of actions and responsibilities across central and local government bodies; and where there are unavoidable uncertainties about who will do what, how these will be resolved over time.

1.19 With their role in achieving net zero yet to be defined, there is a risk that local authority action towards net zero is not as widespread as it might need to be. While many local authorities have chosen to do work to reduce emissions that should contribute to the national net zero target, they do not have a specific statutory responsibility to do so.

1.20 Likewise, without an overall framework of roles and responsibilities, there is a risk that local authority action is not as coordinated or targeted as it needs to be. For example:

- The CCC thinks that hydrogen could play a role in heating of buildings and highlights regional switchover to hydrogen for heat as one aspect of transformation that would need regional coordination and cooperation, although the extent of hydrogen conversion will depend on strategic choices and wider considerations. It reports that “a flexible net zero framework would enable local authorities to develop plans appropriate to their local areas, avoiding energy or transport ‘islands’ or a patchwork of conflicting approaches; however, this should not hold back those local authorities already forging ahead with delivery”.
- Local authorities we spoke to in our focus groups and workshops are aware that there is a need for rapid and coordinated action to achieve net zero but some highlighted that this can be difficult without clarity on their role, and that it is unclear what the most effective balance and sequencing of national, local and regional action is likely to be to tackle different sources of emissions.
- There are many different sources of information and good practice available for local authorities that choose to act, including from central government bodies, representative organisations and other stakeholders (**Figure 4**). We spoke to a group of local authorities convened by the LGA and heard that the many sources of good practice can be difficult to work through, to filter out what might work in their area.

1.21 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. While some local authorities are perceived as leaders in work to reduce emissions, it can be difficult for other local authorities to establish whether or how actions that are right for one area can be transferred to another. Local authorities’ ability to influence emissions reductions depends not just on the availability of good practice but on their powers and responsibilities and can vary according to their capacity, resources, skills, geography or political will to act. The costs and impacts for a local area of the transition to net zero will also vary across the country. For example, actions to renew housing stock may be more expensive or more needed in some areas than others, while changes in job markets, such as declines in the oil and gas industry, could have a disproportionate effect in some areas. Local authority representative groups we spoke to see the need for more strategic ways to share learning and to support local authorities to change working practices in ways likely to reduce emissions; some have started to develop ready-to-use policies and frameworks in areas such as sustainable procurement.

Figure 4

Sources of good practice on climate change and net zero available to local authorities

Local authorities use a very wide range of sources to inform their activities on climate change and net zero, ranging from government departments and local government membership bodies, to non-governmental organisations

Sources of good practice	Examples
Central government and statutory bodies	<p>Government communications directly relating to local authorities on climate change tend to be from specific government departments on narrow policy areas and information made available through narrow sector specific datasets.</p> <p>Salix: a non-departmental public body, owned wholly by government which provides government funding to the public sector to improve energy efficiency and decarbonise heat in order to reduce carbon emissions.</p> <p>Energy Saving Trust: funded by the Department for Transport, Energy Saving Trust delivers the Local Government Support Programme, Fleet Reviews and On-Street Residential Chargepoint Scheme grant funding to assist local authorities with decarbonising transport.</p> <p>CCC: The Climate Change Committee is an independent, statutory body established under the Climate Change Act 2008. It has published reports and held events about local authorities' role in net zero.</p>
Local government membership bodies	<p>ADEPT: The Association of Directors of Environment, Economy, Planning and Transport – representing directors who are responsible for delivering day-to-day council services including local highways, recycling, waste and planning – provides support and advice to its members via its Climate Change Hub.</p> <p>APSE: Association for Public Service Excellence -a networking community that assists local authorities that are striving to improve their frontline services. APSE hosts a UK-wide climate change network which is free to access for APSE members' councils. APSE Energy is a collaboration of local authorities working on municipal energy and renewables through its network of council members promoting net zero in council buildings and assets.</p> <p>LGA: The Local Government Association is a national membership body for local authorities. It has a Climate Emergency Knowledge Hub Group, a platform where local authorities that have declared a climate emergency or made any other type of commitment to reduce carbon and improve the environment can share information and experiences. The LGA has collected good practice from councils and this can be found at: local.gov.uk/our-support/climate-change.</p> <p>UK100: The Collaborating for Net Zero Knowledge Hub is a platform for sharing how city and regional authorities are translating net zero ambitions into action.</p>
Partnership organisations	<p>Local Partnerships: Collaboration between the LGA, HM Treasury and the Welsh Government. It is a non-profit consultancy for public sector organisations. On net zero, it supports local authorities with greenhouse gas accounting, funding bids and delivery.</p>
Non-governmental organisations	<p>The Place-based Climate Action Network supports the establishment of local/regional climate commissions, bringing together private, public and third sector organisations in partnership with local authorities.</p> <p>Core Cities Climate Change Group: created to support climate change mitigation, adaptation strategy and action across all core cities' activities.</p> <p>Climate Emergency UK, mySociety and Carbon Copy collect and share public information about local authorities' climate commitments or plans.</p>

Source: National Audit Office analysis of published good practice

1.22 MHCLG is responsible for the national planning policy framework which local authorities with planning responsibilities have to follow. Local planning authorities set the policies that define the need and location for development in their local plans, and acceptable standards for new developments. Local authorities also have a duty to enforce the minimum standards required by building regulations, which helps to ensure that the levels of energy efficiency and renewable energy in the plans for new buildings are actually delivered when they are built. The national planning framework circumscribes local authorities' decisions on issues that have significant consequences for local emissions, such as on planning applications for new businesses, airports, and new homes and communities. There have been examples of public debate over the implications of local planning decisions for national emissions, for example:

- in March 2021, after repeated consideration by the local council of a planning application for a new coking coal mine near Whitehaven, Cumbria, the Secretary of State for Housing, Communities and Local Government called in the decision and government will hold a public inquiry to explore the different positions; and
- in April 2021, the Secretary of State for Housing, Communities and Local Government issued a holding direction to Leeds City Council, preventing councillors from granting planning permission for a replacement passenger terminal and a reduction in night-time flying hours at Leeds Bradford Airport. This gives the Secretary of State more time to consider whether to call in the planning application. The local planning authority had to refer the application to the Secretary of State due to the size of the building and because the airport's operational boundary is within the Green Belt. Some of the objections received by the authority included references to greenhouse gas emissions and climate change.

1.23 MHCLG has recently consulted on reforms to the planning system with the ambition of “supporting the delivery of homes that local people need and creating more beautiful and greener communities”. The aim of the reforms is to simplify, modernise and speed up the planning system by changing local plans so that they provide more certainty over the type, scale and design of development permitted on different categories of land. The *Planning for the Future* white paper recognised that all levels of government have a role to play in meeting the net zero goal. It stated that “local planning authorities, as well as central government, should be accountable for the actions that they are taking, and the consultation response will look to clarify the role that they can play in setting energy-efficiency standards for new-build developments.” Government has not yet set out how it will ensure these changes align with the net zero target, other than the ambition, stated in the national *Future Homes Standard*, that from 2025, new homes are expected to produce 75%–80% lower CO₂ emissions compared with current levels. The Climate Change Committee 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. 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.

Local authorities’ reporting of plans and progress for net zero

1.24 There is little consistency in local authorities’ reporting of plans and progress on net zero, which makes it difficult for central and local government to understand the overall picture. We found that local authorities have taken many different approaches to understanding their emissions, reporting their activities and monitoring their progress. BEIS told us that these differences in engagement and approach make it difficult to get an overall picture of what local authorities are doing towards net zero.

1.25 BEIS has taken steps to help local authorities understand and measure their carbon emissions and to promote consistent emissions reporting within voluntary frameworks:

- BEIS funded the development of SCATTER, an emissions tool that is free for local authorities to use. It allows local authorities to calculate their carbon emissions and to understand the carbon savings that would come from different interventions. BEIS does not collect information on how many authorities have used SCATTER to understand their emissions.
- Between 2018-19 and 2020-21, local authorities could choose to report their emissions to BEIS under the voluntary Emissions Reduction Pledge for public and higher education organisations. This provided local authorities with a framework and guidance for reporting, with the aim of reducing greenhouse gas emissions by at least 30% from 2009-10 levels. Of the 31 local authorities that signed up to the pledge, nine have so far provided data to BEIS that show they have met the target. BEIS told us that it is not extending the pledge in its current form but expects to incorporate lessons into the overall net zero strategy.

Communication between central and local government on net zero

1.26 Effective two-way communication between local authorities and government departments is essential if local authorities are to contribute effectively to achieving the government's net zero target. The foundation for good communication is likely to be good collaboration in developing a shared understanding of roles (paragraph 1.16), but that is not enough on its own. Our past work has shown that it is important that there is good ongoing communication between central and local government so that local authorities have the opportunity to feed their front-line experience into the design of schemes and initiatives where government expect local delivery to be a key feature (Appendix Three).

1.27 Several government departments have responsibilities related to local authorities' work on net zero:

- BEIS has overall responsibility in government for achieving net zero.
- MHCLG acts as a steward for the local government finance system and is responsible for the planning system.
- Defra has policy responsibility for waste.
- 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 government departments and for taking decisions about local government funding at major fiscal events such as Spending Reviews, with the support of MHCLG.

1.28 Other departments have responsibility for cross-cutting ‘enablers’, such as ensuring sufficient skills in the economy and the Office for Zero Emission Vehicles (OZEV) works across government to support the transition to zero-emission vehicles. In an informal stocktake in March 2020 MHCLG found around 45 policy areas across five departments that are likely to have an impact on the opportunities, decisions and barriers at a local level. It recognised this poses a significant risk of inconsistent goals and messages for local authorities.

1.29 Local authority representatives we spoke to also raised this issue, saying that there was a lack of coordination across government of departments’ different requirements and that overall, they find it hard to engage with central government on net zero. Our analysis suggests the following factors may contribute to this lack of coordination:

- As each department has separate and different arrangements for liaising with local authorities on net zero issues (paragraph 1.17) local authorities have problems navigating whom they should talk to about what. This is made more complicated where issues with net zero implications cut across several departments. For example, BEIS, DfT and Defra all have an interest in planning considerations for new housing – energy supplies, transport links and environmental impacts.
- Departments often liaise with intermediary bodies (see Figure 4) or groups which might not be visible to all local authorities, such as MHCLG’s regular meetings with chief executives of mayoral combined authorities, or BEIS’s Local Energy Contact Group.
- Communication can seem one-way, with local authorities responding to frequent consultations, without much feedback on government’s plans.

1.30 There are some areas where departments already work collaboratively on issues relevant to local authority work on net zero: OZEV is a joint BEIS/DfT team working to support the transition to zero-emission vehicles; and the Cities and Local Growth Unit is a joint MHCLG/BEIS body.

1.31 To improve wider central government coordination and engagement with local authorities on climate change and net zero, in April 2020 MHCLG set up a new cross-department local government policy group on climate change mitigation and adaptation, co-chaired by MHCLG’s Local Government Strategy team and BEIS’s Local Climate and Energy team. The group discussed proposals for climate change officers in local authorities, to feed into a local climate action taskforce via a regional representative at chief executive level. The taskforce would be sponsored by a minister.

1.32 These proposals were paused due to reprioritisation in response to the COVID-19 pandemic, and wider discussions around the way government engages with local authorities. In July 2020, MHCLG ministers asked that the Taskforce be put on hold until later in the year, when councils and officials in the department were likely to have more capacity to engage with non COVID-19 priorities. BEIS is now considering options for improving engagement between local and central government as part of the net zero strategy.

Part Two

Local authorities' skills and resources for net zero

2.1 This part examines:

- the overall landscape of local authority funding for net zero;
- dedicated net zero grant funding for local authorities;
- wider funding with significant net zero elements;
- Departments' support to local authorities on net zero;
- the allocation of funding to local authorities at Spending Reviews; and
- local authorities' skills for net zero work.

Overview of local authority funding for net zero

2.2 Local authorities receive revenue funding from a range of sources including the Ministry of Housing, Communities & Local Government (MHCLG), the Department for Education and from council tax. Some of this income is controllable, meaning that local authorities have some say over how the funding is used locally. Other income streams are non-controllable, and are passed through local authorities directly to other bodies and individuals, such as schools and benefits claimants. In 2018-19, local authorities had £63.4 billion of controllable revenue income and £47.1 billion of non-controllable revenue income.

2.3 Within controllable income, 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 through the local government finance settlement. It is unrestricted, formula allocated and governed by the local accountability system. Local authorities may choose to spend some of this funding on net zero. However, local authority finances have been under pressure after a period of funding reductions and growth in service demand. The local authority settlement for 2021-22 provides the sector with an increase of up to 4.6% in cash terms in core spending power (council tax and government funding) compared with 2020-21, including to help address ongoing pressures from the COVID-19 pandemic. However, local authority finances will continue to be under significant pressure in 2021-22 and beyond. For many local authorities service spending is increasingly concentrated on statutory duties.
- Dedicated grants from departments to fund different aspects of decarbonisation which local authorities can bid for: These are provided under Section 31 of the 2003 Local Government Act, and enable departments to provide grant funding for specific purposes with a greater degree of control than through the settlement. MHCLG and HM Treasury expect to approve departments' use and design of such schemes (**Figure 5** (on pages 36 to 38) and paragraphs 2.5 to 2.9 below).
- Wider funding: Targeted at other or more general outcomes such as social or economic growth, but which requires, encourages or allows the delivery of net zero objectives (Figure 5 and paragraph 2.13).
- Other grants have scope for net zero application, such as in transport, but are less directly linked.

2.4 Neither MHCLG nor HM Treasury track the funding that central government provides to local government linked with net zero. Information on available grants is not easily accessible as it is spread across several government websites. 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.

Dedicated net zero grant funding for local authorities

2.5 We estimate that in 2020-21 there were 22 dedicated funds that local authorities could bid for, for work related to net zero, of which eight were available to local authorities only, and 14 where local authorities were eligible to bid for alongside other organisations (Figure 5).

Figure 5

Overview of funding for local authorities for work relevant to net zero in 2020-21

Net zero funding for local authorities is complex and fragmented

Sponsor department and targeted sector					
Net zero focus	Type of funding	Department for Transport			Ministry of Housing, Communities & Local Government
		Local Roads	Buses (and Light Rail)	Cycling and Walking	Cross-cutting
Dedicated net zero grant funding	Funds for local authorities only		Rural Mobility Fund	Active Travel Fund	
			All Electric Bus Town and City Scheme		
	Funds for local authorities and other organisations			Bikeability	
Wider funding with objectives related to decarbonisation	Formula funding	Local Highways Maintenance Funding			Core Settlement
		Integrated Transport Block			
	Local authority funding for economic growth	Transforming Cities Fund			Towns Fund
	EU Funds with objectives related to decarbonisation				
		European Regional Development Fund			
	LIFE Programme				

Sponsor department and targeted sector							
Department for Business, Energy & Industrial Strategy				Office for Zero Emission Vehicles		Department for Environment Food & Rural Affairs	
Local Energy	Energy efficiency and heat decarbonisation of buildings	Innovation (UKRI)	Low emission vehicles	Hydrogen	Land Use	Waste	
The Heat Network Delivery Unit	Green Homes Grant Local Authority Delivery Scheme		On-street residential chargepoint scheme				Local Nature Recovery Strategy
	Social Housing Decarbonisation Fund Demonstrator						
Heat Networks Investment Project	Public Sector Low Carbon Skills Fund	Prospering from the Energy Revolution	Workplace Charging Scheme	Hydrogen Transport Programme	Woodland Carbon Fund	Resource Action Fund	
Non-Domestic RHI	Public Sector Decarbonisation Scheme	Industrial Decarbonisation Challenge					Urban Tree Challenge Fund
	Whole house retrofit competition						Green Recovery Challenge Fund
Core Settlement							
							The European Agricultural Fund for Rural Development

Figure 5 *continued*

Overview of funding for local authorities for work relevant to net zero in 2020-21

Notes

- 1 This analysis covers funding awarded in 2020-21 (rather than funding paid in 2020-21), some of which may be paid in subsequent years. It does therefore not cover funds paid to local authorities but awarded in previous years such as through the Ultra-Low Emission Bus Scheme and Sustainable Travel Access Fund.
- 2 MHCLG coordinates core revenue funding through the local government finance settlement. Local authorities may use this funding on net zero initiatives including those related to waste.
- 3 Government has made other relevant funds available in subsequent financial years. These include the Levelling Up Fund, UK Community Renewal Fund, Green Homes Grant Phase 2 and 3 and Home Upgrade Grant Scheme.
- 4 This figure focuses on funding available directly to local authorities. It does not include funding to Local Enterprise Partnerships (LEPs) or Local Energy Hubs. Local authorities play a key role in influencing decisions made by LEPs. LEPs are funded by the Local Growth Fund (funded by DfT, MHCLG, BEIS and the Cabinet Office) and the Getting Building Fund (MHCLG).
- 5 For formula funding, central government allocates funds to local authorities based on complex formulae that apportion total funds available.
- 6 The LIFE programme is the EU's funding instrument for the environment and climate action.
- 7 The government intends to replace the European Regional Development Fund with the UK Shared Prosperity Fund in 2022 and aims to help places prepare for the introduction of this through the UK Community Renewal Fund, which starts in 2021-22.

Source: National Audit Office analysis of departmental documents and departments' websites

2.6 Departments provided us with a breakdown of funding data for 21 of these funds. Our analysis of these data showed that these 21 funds provided £1.2 billion to local authorities in 2020-21, over 16 times more than the £74 million provided via the equivalent funds in 2019-20. This was due to the creation of five new funds for local authorities for energy efficiency and heat decarbonisation measures in buildings (publicly owned non-domestic buildings, fuel poor homes of all tenures, and social housing), active travel and electrification of bus services, all except the latter initiated partly to support the COVID-19 pandemic recovery (**Figure 6**).

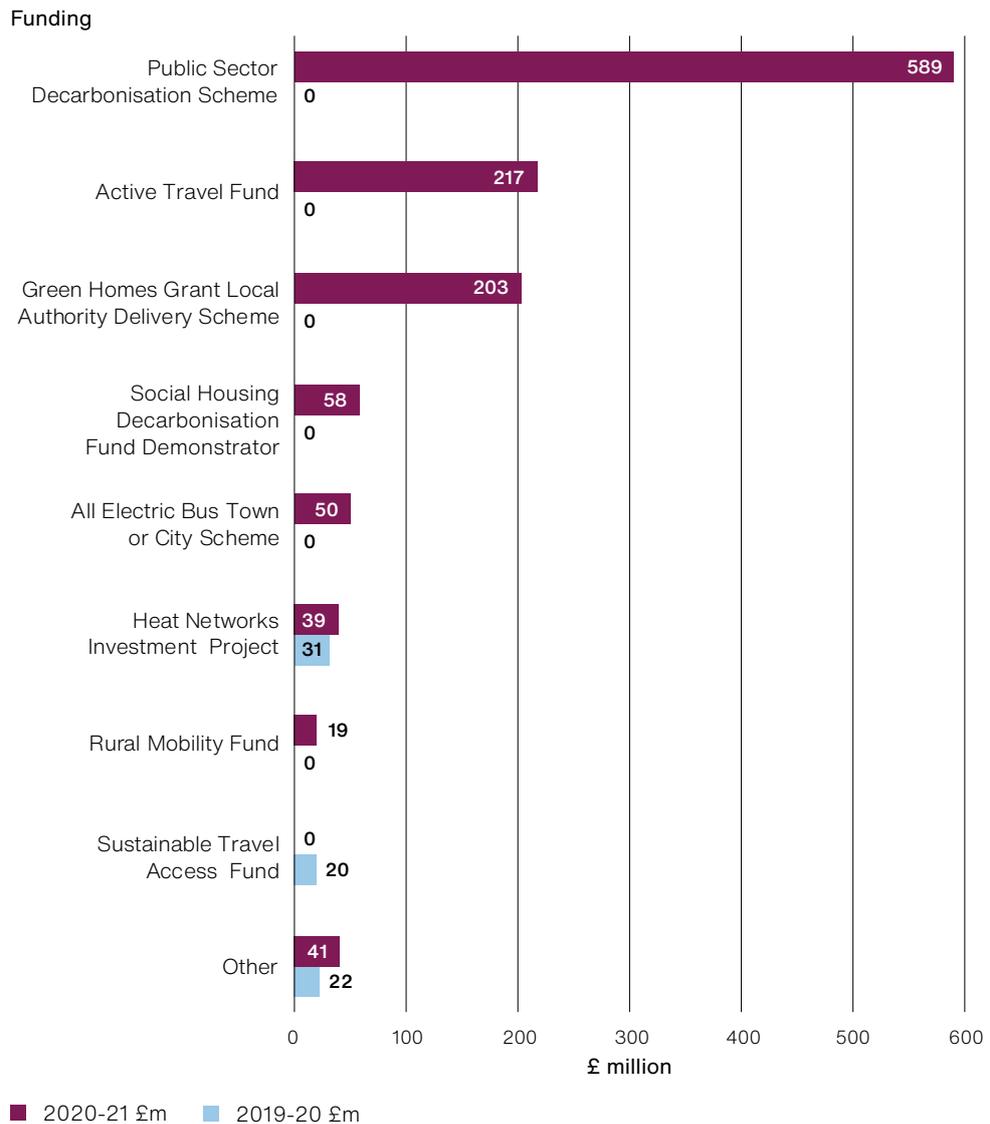
2.7 Our analysis also shows the extent to which local authorities have received very different amounts from these 21 dedicated funds for local authority work related to net zero. We estimate that in 2020-21 13 local authorities received £20 million or more through these funds while 38 did not receive anything directly. Of those 37 were district councils, all of which were in areas covered by county councils which received funding. As a result the district may have benefitted from net zero funding for county council operations (for example through transport provision), but not from funding for district council activities.

2.8 Consolidating the funding from combined authorities and district councils to single-tier and upper-tier authority areas, we estimate that 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 (**Figure 7** on pages 40 and 41).

Figure 6

Dedicated net zero funding for local authorities, 2019-20 and 2020-21

Funding provided for net zero activities was over 16 times higher in 2020-21 than in 2019-20

**Notes**

- 1 For consistency this analysis covers funding awarded in 2020-21 (rather than funding paid in 2020-21), some of which may be paid in subsequent years.
- 2 In determining these figures we included funding to consortia of other organisations where funding was allocated to the local authority as well as funding which may be conditional on validation by the funding bodies. We did not include the value of any loans.
- 3 This analysis covers 21 of the dedicated net zero funds for which local authorities can apply (see Figure 5). It does not include funding for the Non-Domestic Renewable Heat Incentive, because records for this do not necessarily include local authority details (this is administered by Ofgem). Funds in the "Other" category include Bikeability, Public Sector Low Carbon Skills Fund, Whole House Retrofit Competition, On-street Residential Charge-Point Scheme, Heat Network Delivery Unit Fund, Urban Tree Challenge Fund.
- 4 Phase 2 of the Green Homes Grant allocated a further £300 million to local energy hubs in March 2021. This is not included in the figure as we have only included funds directly given to local authorities in 2020-21.

Source: National Audit Office analysis of funding data from Department for Business, Energy & Industrial Strategy, Department for Transport and Department for Environment, Food & Rural Affairs

Figure 7

Estimated dedicated grant funding per person for net zero activities consolidated to upper tier local authority areas (including funding for combined authorities and district councils) 2020-21

There was a wide variation in 2020-21 in funding received by different local authority areas

Net zero funding for local authority areas 2020-21

- Over £50 per person
- £37.50 to £49.99 per person
- £25 to £37.49 per person
- £12.50 to £24.99 per person
- Up to £12.49 per person
- Wales – Out of scope

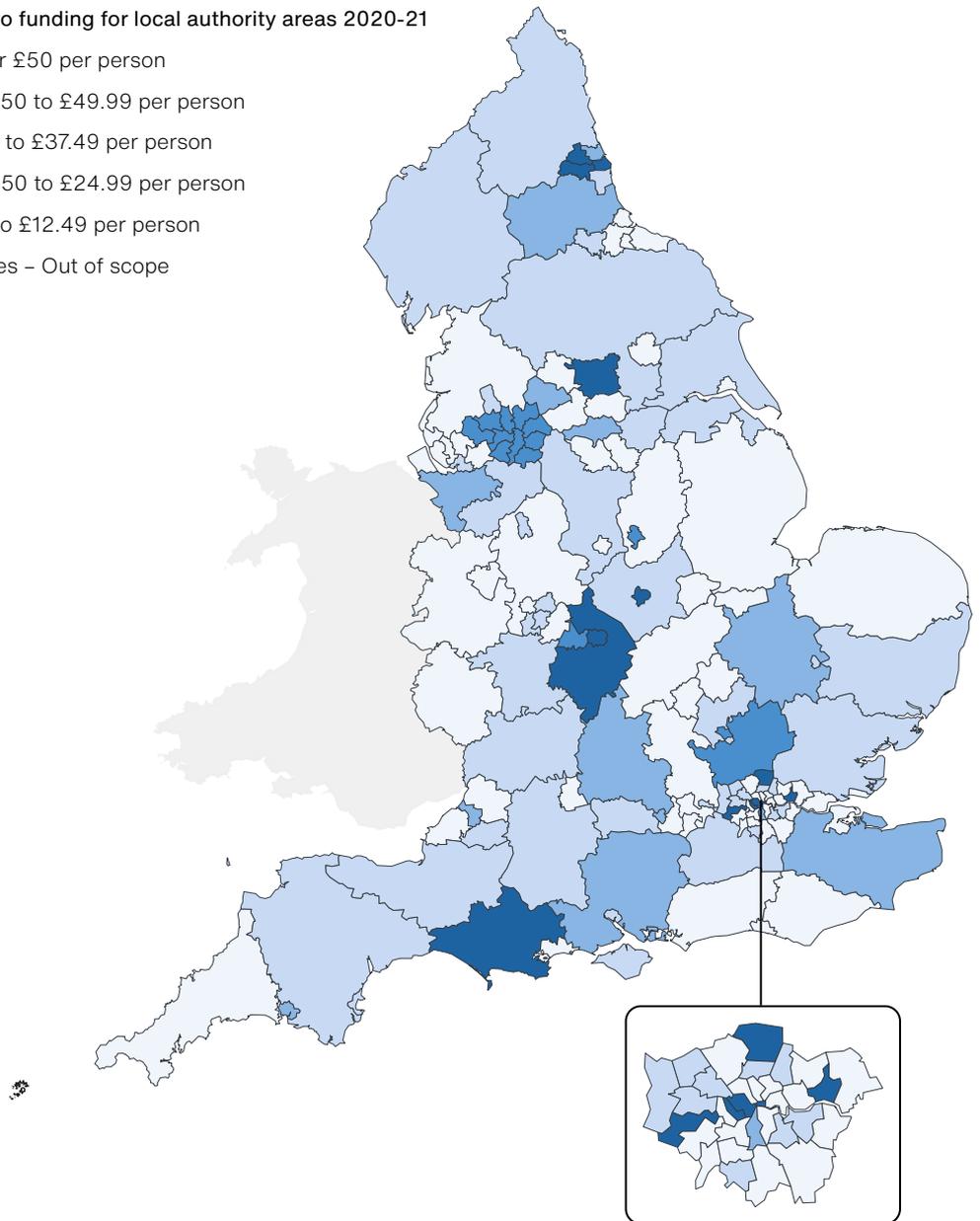


Figure 7 *continued*

Estimated dedicated grant funding per person for net zero activities consolidated to upper tier local authority areas (including funding for combined authorities and district councils) 2020-21

Notes

- 1 For consistency this analysis covers funding awarded in 2020-21 (rather than funding paid in 2020-21), some of which may be paid in subsequent years. This includes funding to consortia of other organisations where funding was allocated to the local authority as well as funding which may be conditional on validation by the funding bodies. We did not include the value of any loans.
- 2 Only the 151 upper tier (including single tier) local authority areas are shown. Combined authorities and district councils are not shown, although the funding provided to them is allocated to the relevant upper tier authority areas (as described in note 3).
- 3 Funding shown above per person for upper tier local authority areas is calculated from the following sources:
 - a funding direct to upper tier authorities;
 - b funding to combined authorities (or associated bodies such as Transport for London) which is then allocated between the constituent councils of the combined authority in proportion to their populations (apart from the All Electric Bus Town and City Scheme, see below); and
 - c funding to district councils which is amalgamated up to county council level.

The resulting funding is then divided by the total population for each upper tier local authority.
- 4 Some funding was awarded to consortia of local authorities, to whom an overall figure was allocated for all consortium members. This has been divided between the members of the consortium (where those members are local authorities in scope), pro-rated on the basis of their populations. Where members are not in scope, e.g. parish councils, they have not been allocated any funding.
- 5 This analysis covers 21 of the dedicated net zero funds for which local authorities can apply (see Figure 5). It does not include funding for the Non-Domestic Renewable Heat Incentive, because records for this do not necessarily include local authority details (this is administered by Ofgem). Funds include: Public Sector Decarbonisation Scheme, Active Travel Fund, Green Homes Grant Local Authority Delivery Scheme, Social Housing Decarbonisation Fund, All Electric Bus Town or City Scheme, Heat Networks Investment Project, Rural Mobility Fund, Bikeability, Public Sector Low Carbon Skills Fund, Whole House Retrofit Competition, On-street Residential Charge-Point Scheme, Heat Network Delivery Unit Fund, Urban Tree Challenge Fund.
- 6 Phase 2 of the Green Homes Grant allocated a further £300 million to local energy hubs in March 2021. This is not included in the figure as we have only included funds awarded directly to local authorities in 2020-21.
- 7 £50 million was awarded to West Midlands Combined Authority for the Coventry Electric Bus City scheme under the All Electric Bus Town and City Scheme. This amount has been allocated in the map to the areas where the funding was spent – £25.8 million in Coventry and £24.2 million in Warwickshire.
- 8 Population data was sourced from the Office for National Statistics mid-year population estimates for June 2020, published in June 2021.

Source: National Audit Office analysis of funding information from the Department for Business, Energy & Industrial Strategy, Department for Transport and Department for Environment, Food & Rural Affairs

2.9 Some characteristics of the funding landscape have caused barriers to the take-up of funding and the effective delivery of objectives:

- Fragmentation of funding into multiple schemes for specific purposes makes it more complex for local authorities to find funding and limits their ability to deliver across multiple objectives.
- Piecemeal funding with limited delivery timescales limits the ability of local authorities and delivery partners to plan for the longer term and develop the capacity and skills for net zero. This is exacerbated by a lack of revenue funding for ongoing costs of projects once implemented. The Climate Change Committee (CCC), local authority directors and academics have highlighted a need for greater certainty and a longer-term focus for net zero funding for local authorities.
- Competitive funding and short application timescales (**Figure 8**) favour those local authorities who have projects ready to go, or who have the capacity and resources to bid for them. As a result, resources may not necessarily go to where the need or opportunity is greatest. While competitive bids can help focus funding on the best projects, a funding landscape that is dominated by competitive funds may risk inhibiting overall value for money by making it difficult for local authorities to plan effectively over the medium- to long-term. Local authorities' difficulties in applying for funds can also mean the budget goes unused.

2.10 The first phase (1A) of the Green Homes Grant Local Authority Delivery scheme exemplified some of these difficulties:

- The timescale for application, four weeks, was too short to enable many local authorities to put bids together.
- The timescale for delivery of measures, five months to March 2021, was insufficient to enable many projects to be delivered, particularly given that this occurred over winter when low temperatures and bad weather meant it was sometimes not possible to perform some building works. The deadline was eventually extended to August 2021.
- The Department for Business, Energy and Industrial Strategy (BEIS) was only able to allocate 38% of the £200 million originally available due to the number of valid applications they received.

Figure 8

Characteristics of the four largest grant funds in 2020-21 dedicated for local authority work relevant to net zero

Three out of four biggest funds available to local authorities in 2020-21 for net zero work had application windows of six weeks or less in 2020-21

Funding pot	Application window	Delivery Timescale	Capital/ Revenue	Is the fund competitive?
Public Sector Decarbonisation Scheme Phase 1	30 September 2020 – 11 January 2021 (14 weeks)	From award to 30 September 2021 (7-11 months)	Capital	Yes – fixed total fund size, competition closed when all funds allocated.
Phase 2	07 April 2021 – 13 April 2021 (one week)	From award to 31 March 2022	Capital	
Active Travel Fund Tranche 1	27 May 2020 – 5 June 2020 (9 days)	12 weeks, or face potential clawback from future allocations	70% capital, 30% revenue	Only partially. All local authorities were given indicative allocations and awarded proportions of this according to their proposal.
Tranche 2	10 July 2020 – 07 August 2020 (four weeks)	To March 2021, subsequently extended to March 2022	80% capital, maximum 20% revenue	
Green Homes Grant Local Authority Delivery Scheme Phase 1A	04 August 2020 – 01 September 2020 (Four weeks)	28 Sept 2020 – 31 March 2021 (five months) subsequently extended to August 2021 (11 months)	Capital (at least 85%)	Yes
Phase 1B	23 October 2020 – 04 December 2020 (six weeks)	January 2021 – September 2021 (nine months)	Capital (at least 85%)	Yes
Social Housing Decarbonisation Fund Demonstrator	30 September 2020 – 12 November 2020 (Six weeks)	December 2020 – 31 December 2021 (12 months)	Capital plus revenue	Yes

Notes

- Up to 15% of the Green Homes Grant Local Authority Delivery Scheme can be used for administrative, delivery and ancillary works, including local authority staff costs for managing projects.
- Phase 2 of the Green Homes Grant allocated a further £300 million to local energy hubs in March 2021. This is not included in the figure as we have only included funds directly given to local authorities in 2020-21.

Source: National Audit Office analysis of guidance documents inviting local authorities to bid for funds

2.11 Due to the initial Phase 1 competition being undersubscribed, in October 2020, BEIS launched another funding round (1B) of the competition. Following feedback from local authorities, for this round, local authorities had a slightly longer application window of six weeks and a longer delivery timescale of nine months. In March 2021, BEIS announced the allocation of all remaining £126 million from Phase 1A to 81 projects in over 200 local authorities through Phase 1B. It also announced allocations for Phase 2 of the competition, with a further £300 million to be provided through five Local Energy Hubs that will work with local authorities in their region. BEIS told us this is intended to expand the geographical reach of the scheme to help bring in less-experienced local authorities.

2.12 In March 2021, BEIS allocated another £300 million of funding to be delivered through local authorities through an extension of the Green Homes Grant Local Authority Delivery Scheme and the Social Housing Demonstrator Fund. BEIS launched the invitation to local authorities for applications for £200 million of this funding through the Sustainable Warmth competition on 16th June 2021. This followed the early closure of the Green Homes Grant Voucher scheme for households, which closed to new applications at the end of March 2021.

Wider funding with significant net zero elements

2.13 One way that government is starting to tackle these problems is to build net zero objectives into wider funding for economic growth and “levelling up”. Five key funds for local authorities to support local growth and tackle inequalities (totalling more than £11 billion)⁷ include criteria or statements designed to encourage local authorities to invest in projects that support the achievement of net zero, or at least do not work against it. For example, the Levelling Up Fund prospectus stipulates that “projects should be aligned to and support Net Zero goals: for instance, be based on low or zero carbon best practice; adopt and support innovative clean tech and/or support the growth of green skills and sustainable supply chains”. The UK Community Renewal Fund also expects investment made under the fund to be able to demonstrate the extent of contribution to net zero objectives, but has the less ambitious requirement that “As a minimum, bids should not conflict with the UK’s legal commitment to cut greenhouse gas emissions to net zero by 2050”. These funds have also explicitly sought to address skills and resource shortages in local authorities by including capacity funding or support to help places prepare bids.

2.14 It will be important for local authorities to consider and manage the links between net zero and their wider work to support growth and tackle economic and health inequalities, as well as with wider environmental issues such as air quality and adapting to climate change, because achieving net zero will involve major changes and substantial investment across the whole economy. It will be important for all organisations to make the most of opportunities to achieve multiple benefits at the same time, and manage the risks of efforts pulling in opposite directions.

⁷ We looked at the criteria for the UK Community Renewal Fund, Levelling Up Fund, Transforming Cities Fund, Towns Fund and the Freeports Fund.

2.15 There are also European Union funds that include objectives related to net zero, which local authorities have been able to apply for. In particular the European Regional Development Fund (ERDF) included £437 million of funding in England for supporting the shift towards a low carbon economy from 2014 to September 2020. The government intends to replace the ERDF and the European Social Fund with the UK Shared Prosperity Fund in 2022 and aims to help places prepare for the introduction of this through the UK Community Renewal Fund, which starts in 2021-22.

2.16 From late summer 2021, the UK Infrastructure Bank will be able to lend up to £4 billion to local authorities to help them meet its core objectives of achieving the 2050 net zero target and supporting regional and local economic growth. Funding will be aimed at large (at least £5 million), ambitious projects, and the bank will offer advice and expertise to help local authorities with development and delivery.

Departments' support to local authorities on net zero

2.17 Departments have adopted different approaches to their engagement with local authorities around building capacity for net zero projects:

- BEIS has set up dedicated teams to work directly with local authorities on heat networks and local energy plans.
 - BEIS's Heat Networks Delivery Unit (HNDU) has supported more than 150 local authorities since 2013, managed 10 rounds of development funding worth £25.6 million and has helped local authorities to develop a pipeline of capital projects worth more than £1.5 billion. In the 2018 evaluation of the unit, local authorities said that HNDU guidance worked well in building their capability for heat networks. They mentioned specific effective mechanisms, for example, one-to-one support from HNDU project leads and regular 'checking-in' with local authority officers to discuss progress. The range of guidance also meant it was adaptable to the different circumstances of local authorities. They did however raise concerns that HNDU project leads appeared to be becoming increasingly stretched which could impact on the effectiveness of future guidance.
 - BEIS's Local Energy Team supports the capacity and capability of Local Enterprise Partnerships (LEPs) and local authorities in England in delivering low-carbon economic growth through the Local Energy Programme. In 2017 the team launched a £4.7 million programme to finance five Local Energy Hubs across England which provide LEPs and local authorities with access to expertise to help develop and secure investment in low-carbon projects. BEIS has not evaluated the hubs but referred us to the hubs projects tracker as evidence of their success. As at June 2021, the tracker showed 314 live projects across the five hubs, with a total value of £703 million, and 64 completed or commissioned projects totalling £120 million.

- In July 2020, the Department for Transport (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 and provide other environmental and health benefits. The body would have a role in promoting best practice, advising local authorities, training staff and contractors and allowing local authorities to learn from each other. The body is still in development.
- The Department for Environment, Food and Rural Affairs (Defra) provides support to local authorities for the waste and recycling sectors via the Waste and Resources Action Programme (WRAP). WRAP runs the Resource Action Fund of £18 million to support resource-efficiency projects in England providing grants with expert support on food, plastics, textiles, recycling infrastructure and litter. A Textiles Recycling and Re-use fund of £1.5 million and various grants around food waste and behaviours are also available. WRAP provides free support to local authorities including benchmarking and guidance.

Allocation of funding to local authorities at the Spending Review

2.18 Spending Reviews allocate budgets to departments over the medium term, including funding to local authorities. Departments started to review local authorities' resourcing for net zero in the last Spending Review, but plans changed in response to the COVID-19 pandemic. HM Treasury initially planned that the 2020 Spending Review would be a multi-year settlement and set net zero as one of its six priorities. It asked departments to provide a detailed assessment of the climate impact of their capital expenditure plans, but not all departments did so. As part of its preparations, BEIS prepared a bid for a multi-year programme of support for local authorities to accelerate decarbonisation. MHCLG told us that it also started to try to coordinate bids for net zero funding to local government across departments, although coordination of bids was hampered due to departments having different internal processes and being at different stages of preparation. In October 2020 HM Treasury announced that the Spending Review would primarily become a one-year review focused on the response to the COVID-19 pandemic and supporting jobs.

2.19 HM Treasury, MHCLG and BEIS recognise that it will be important to consider local authorities' resourcing for net zero in the next Spending Review. HM Treasury expects net zero to feature more in future Spending Reviews and recognises that it needs to strengthen the process for assessing climate impacts. Responsibilities for considering local authorities' resourcing for net zero are split across government, with a number of relevant initiatives. MHCLG has overall responsibility in central government for the financial framework for local government, including taking the cross-government lead in assessing the funding requirements of local authorities and supporting HM Treasury on decisions about local government funding at major fiscal events such as Spending Reviews. BEIS has overall responsibility for net zero. DfT is developing plans to reform local transport funding, in order to better enable local authorities to achieve the government's ambitions for local transport, including net zero. Defra is also reviewing the new burdens that its planned waste reforms to support decarbonisation will place on local authorities and how these will be funded.

2.20 There is also, in principle, the opportunity for local government to be covered as part of HM Treasury's current review of how the costs of net zero should be shared between government, businesses and individuals, which it plans to publish prior to the next United Nations climate conference, COP26, in November 2021. HM Treasury's net zero review interim report, setting out initial analysis, does not mention local government. HM Treasury expects to start the next Comprehensive Spending Review in summer 2021 but departments have not yet decided how they will work together to ensure it is informed by a coherent and strategic analysis of resourcing for local authority action on net zero. 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.

2.21 The scale and nature of the funding requirements for local authorities will partly depend on decisions about the nature and extent of their role in reaching the UK's statutory net zero target. At the least, there will be costs for local authorities associated with using their existing powers and responsibilities to help decarbonise, for example to build the skills to be able to incorporate net zero into their existing functions such as on transport planning, or to decarbonise their own buildings and housing stock. Analysis commissioned by the Local Government Association (LGA) estimated the cost to councils of achieving net zero carbon emissions from their housing stock to be around £1 billion per year over the next 30 years.

Local authorities' skills for net zero work

2.22 Recent reports by the CCC, Green Alliance and the 'Blueprint Coalition' have highlighted the need to develop local authorities' access to skills for net zero work.⁸ This is both:

- *within the council*, for example for local government officers around retrofit, low carbon heating and energy systems, low-carbon planning and development, developing low-carbon economies, financing and delivering low carbon projects, and more widely developing carbon literacy among officers and councillors; and
- *within the wider supply chain and project partners*, especially in energy efficiency and buildings retrofit, and low-carbon heating.

2.23 The scale and nature of local authorities' skills requirements in the future will partly depend on decisions about their role in reaching the UK's statutory net zero target. While we heard at a roundtable discussion hosted by the Municipal Journal that a few councils have climate teams of around 30 people, in a climate change survey undertaken by the LGA in 2020, 79 out of 90 respondents (88%) to a question on barriers thought a lack of workforce capacity was a moderate or significant barrier to tackling climate change; and 70 out of 90 respondents (78%) identified skills and expertise as a moderate or significant barrier.⁹

2.24 Estimates of the wider skills in the economy needed to deliver the changes required to meet net zero vary, and the extent to which local authorities will be directly affected by these skills requirements will depend on their role and ambitions. The Construction Industry Training Board, for example, has identified a number of key training requirements to develop the workforce needed to decarbonise the building sector. These include, from 2021 to 2027, an annual requirement for an additional 12,000 retrofitting specialists (such as surveyors and insulation installers); 7,500 to 15,000 heat pump installers; and an increase in the skills required for the maintenance and adaptation of traditional buildings.

⁸ The Blueprint Coalition brings together ADEPT (Association of Directors for the Environment, Planning & Transport), Ashden, Friends of the Earth, Grantham Institute, Green Alliance, Greenpeace, LEDNet (London Environment Directors' Network), PCAN (Place-Based Climate Action Network) and SOLACE -and is backed by over 125 local authorities.

⁹ Twenty nine per cent of councils in England responded to the survey.

2.25 Skills shortages for local authorities can be made more severe by the short term, competitive nature of much net zero funding from departments. It can lead to a cycle where local authorities that have been successful in previous funding rounds continue to win most of the funding, because they have people with the expertise and time to apply. The 'stop-start' and short-term nature of the funding can also make it more difficult for businesses in the supply chain to invest in skills.

2.26 In November 2020, BEIS and the Department for Education jointly established a ministerial-led Green Jobs Taskforce to develop a green jobs and skills action plan to support the government's policy and strategy development for a green recovery and net zero. Early findings highlight the importance of place-based solutions as the labour market transitions to net zero, and that this transition will have a variable impact on skills across the UK with local stakeholders being best placed to feedback on this. Government expects the Taskforce to report in summer this year. As part of reforms to the planning system, MHCLG also plans to develop a resources and skills strategy to ensure local authorities are equipped with what they need to meet planning objectives.

Appendix One

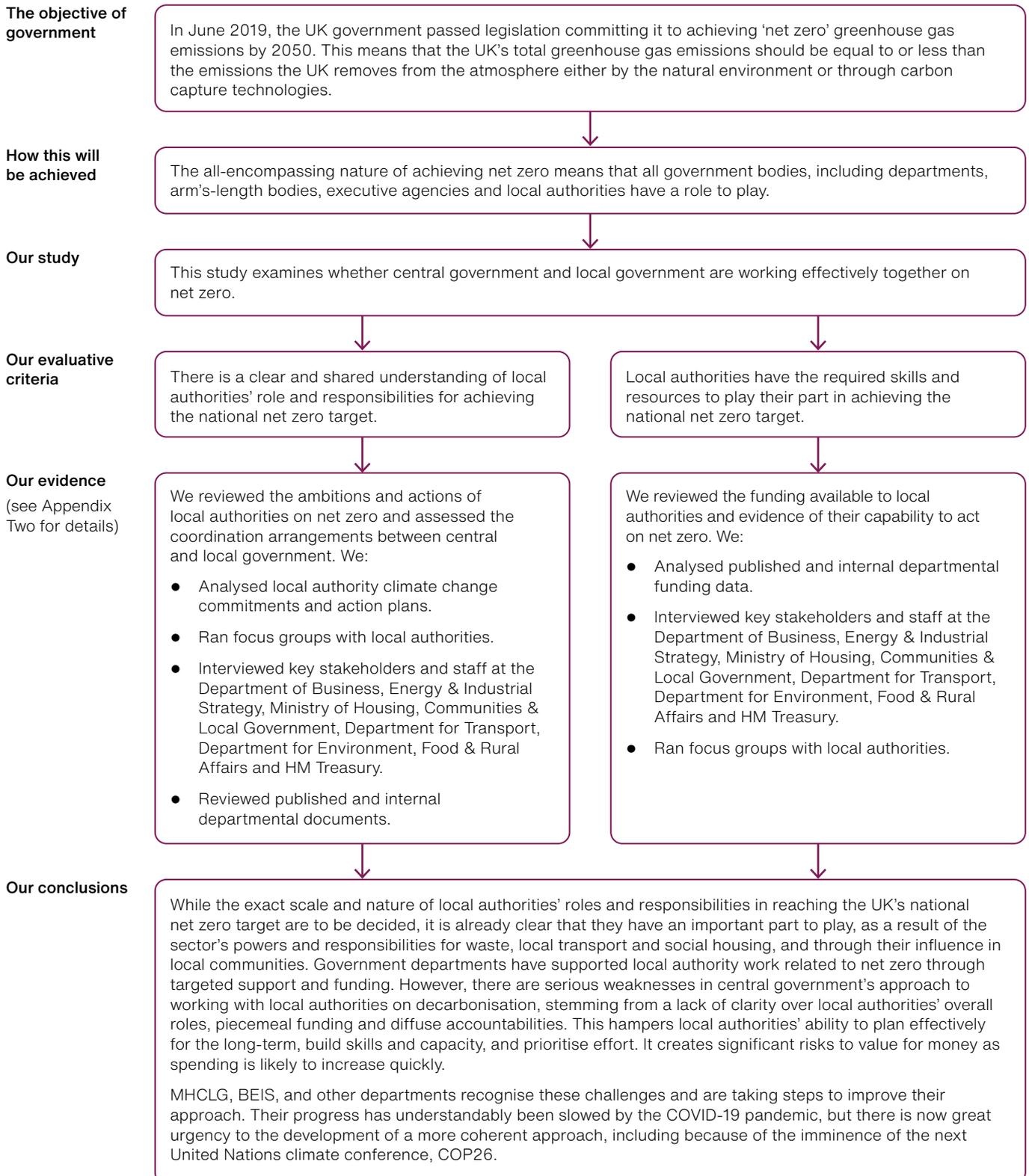
Our audit approach

1 This study examines 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 (Part One); and to ensure local authorities have the right resources and skills for net zero (Part Two). It draws on our experience of auditing previous cross-government challenges including large-scale, long-term projects and programmes and more recently, COVID-19, to identify what we expect good to look like.

2 **Figure 9** gives our evaluative criteria. Our evidence base is described in Appendix Two.

Figure 9

Our audit approach



Appendix Two

Our evidence base

- 1** We reached our conclusion on how effectively local authorities and central government are collaborating on net zero by analysing evidence collected between January and June 2021.
- 2** We applied an analytical framework with evaluative criteria that considered roles and responsibilities, collaboration between central and local government and resources and skills required by local authorities in achieving net zero. Our audit approach is set out in Appendix One.

Methods

- 3** In producing this report, we drew on a variety of evidence sources.
- 4** **Interviewing officials:** we interviewed staff from five departments with responsibilities related to local authorities' work on net zero: the Department for Business Energy & Industrial Strategy (BEIS); the Ministry of Housing Communities and Local Government (MHCLG); the Department for Environment Food & Rural Affairs (Defra); the Department for Transport (DfT); and HM Treasury. Focusing on local authorities and net zero, these meetings covered: roles, responsibilities and strategies; engagement and collaboration including consultation and support; and resources and skills. We also spoke to UK Research and Innovation about how it supports local authorities to improve local smart energy projects, and the Office for Zero Emission Vehicles (OZEV) about the Go Ultra Low Cities Fund.
- 5** We also interviewed a range of other organisations involved in, or with an interest in, local government and net zero. The organisations included: Association of Directors of Environment, Economy, Planning & Transport (ADEPT), the Blueprint Coalition, the Chartered Institute of Public Finance & Accountancy, the Climate Change Committee (CCC), Climate Emergency UK, Community Energy London, Green Alliance, the Local Government Association (LGA), Local Partnerships, London Councils and UK100.

6 Workshops and meetings with stakeholder groups: we held workshops with ADEPT's environment board and LGA's climate action group and participated in a Municipal Journal roundtable discussion on local government and net zero attended by senior officials from nine local authorities.

7 Focus groups with local authorities: we held three focus groups with local authorities: one with county councils and combined authorities, one with single-tier authorities and one with district councils. In selecting attendees, we looked to have a spread across the regions of England (including a mix of rural and urban authorities), relative deprivation and the apparent extent of engagement with net zero. As a proxy for this we looked at whether local authorities had an action plan or equivalent available on their website and the extent to which this explained how they were going to achieve their emissions reduction statement (that is, net zero commitment or otherwise).

8 Topic areas included: local authorities' role in net zero; what supported them in achieving successes in this area; obstacles they faced; how they engaged with central government on net zero and how this might be improved; and how they combined net zero with other local and wider government objectives.

9 Document review: we reviewed departmental documents providing supporting evidence for topics discussed in interviews (see above) such as examples of engagement events, consultations and guidance for local authorities, minutes of the cross government local climate action group and information about the funds provided to local authorities with a net zero focus. We carried out a review of our own work as well as external literature. We focused on our recent work covering local government, environment and climate change, government's response to COVID-19 and good-practice reports, such as on operational management to establish good-practice criteria. Our review of external literature included reports published in the last three years by the Business, Energy and Industrial Strategy Committee, the Housing, Communities and Local Government Committee, CCC, ADEPT, Green Alliance, the Blueprint Coalition and UK100.

10 Data analysis: for Part One, to identify local authorities' commitments and actions on net zero, we reviewed the commitments and plans of a sample of 232 local authorities, from the population of local authorities in England from 1 April 2021. This encompassed all 152 single- and upper-tier authorities, 10 combined authorities and the Greater London Authority, and a random, stratified sample of 69 out of the 181 district councils. We selected the district councils taking into consideration regional distribution, rurality and deprivation.

11 To identify local authorities' commitments in line with net zero, we reviewed information from local authorities' websites. We used search terms such as: net zero, carbon, climate, emissions, 2030 and 2050 to identify what each authority had committed to. We also checked minutes of council meetings, or checked public statements against information from other sources, primarily Climate Emergency UK and mySociety. We captured in each case any commitment to decarbonise the local authorities' activities, the whole local authority area, or any other commitment to decarbonise in line with net zero, with a record of the source. We collected this information between April and June 2021.

12 We analysed funding data (publicly available and directly from departments) from four departments:

- For dedicated grant schemes relevant to net zero action, where these were available by local authority (all tiers) any funding for organisations other than local authorities was filtered out, and funding was aggregated by funding year and stream to obtain the annual comparison of funding, and breakdown by major funding streams in Figure 6.
- To show the comparative numbers of councils getting different amounts of funding in paragraph 2.7, the figures aggregated by year and local authority were used.
- To show the comparative levels of funding per person on a map of upper tier councils (Figure 7), the funding from combined authorities and district councils was combined and added to upper tier authorities as follows:
 - If the upper-tier authority was part of a combined authority, the funding for the combined authority was divided between the councils within it on the basis of their populations (an exception was made for the All Electric Bus Town and City Scheme, for which £50 million of funding was awarded to West Midlands Combined Authority, but which was spent in the Coventry City and Warwickshire areas, and so is divided between these on the basis of the amount spent).
 - If the upper-tier authority was a county council, the funding for all the district authorities in its area was allocated to it.
- Where funding was awarded to consortia of local authorities, this was allocated to consortium members pro-rated on the basis of their populations.

Appendix Three

Findings from National Audit Office work that inform this study

Initial learning from the government's response to the COVID-19 pandemic (May 2021)

Transparency and public trust: Even when government is acting at speed it is important that there is clarity over what it is trying to achieve and whether it is making a difference (pages 16 and 17).

Co-ordination and delivery models: Learning for government includes to

- clarify responsibilities for decision-making, implementation and governance, especially where delivery chains are complex and involve multiple actors (pages 7 and 23); and
- ensure that there is effective coordination and communication between government departments, central and local government, and private and public sector bodies (pages 7 and 23).

Local government finance in the pandemic (March 2021)

- Local authorities have been under severe financial strain, and their financial position remains a cause for concern (paragraphs 11 to 13, and 20 to 21).
- There may be good-practice lessons from the way the Ministry of Housing, Communities & Local Government (MHCLG) engaged with the sector during the pandemic, whereas some engagement with the sector by other departments worked less well (paragraphs 17 and 2.15 to 2.18).
- MHCLG engaged with other departments to develop an overview of cross government costs and cost pressures (paragraphs 2.20 to 2.22).

Improving operational delivery in government: A good-practice guide for senior leaders (March 2021)

- “Alignment and transparency on purpose and progress” are critical when delivering policies that involve multiple organisations (page 8).
- In order to ‘close the gap between policy design and service reality’ it is important to involve local authorities in designing policies that are delivered locally, to make the most of their practical service experience (page 11).
- Service design needs to consider total demand on local authorities (page 11).
- In order to build technical and leadership capability, staff need the skills, methods and time to spot, raise and fix problems (page 14).
- Understanding the diversity of users’ needs is really important for behaviour change (page 18).
- All departments should be thinking about how their work with local authorities secures best value for money for the Exchequer as a whole (page 8).

Achieving net zero (December 2020)

- The importance of defining roles and responsibilities, particularly when there are lots of public bodies involved (paragraph 2.20).
- The importance of sharing of information and learning, for example on pilots and innovative approaches that could be applied more widely (paragraph 2.18).
- The importance of leadership capacity and capability (paragraphs 2.16 and 2.17).

Environmental metrics: governments approach to monitoring the state of the natural environment (January 2019)

- Performance information should be at the heart of government’s decision-making, as it allows policymakers to track whether projects and programmes are achieving their objectives (paragraphs 7 and 1.5).
- Policy to meet environmental objectives is often complex and cross-cutting ... While this brings practical challenges for developing a coherent and coordinated approach to tracking progress, difficulties are not insurmountable (paragraphs 8 and 1.6).
- Metrics should be part of a good performance system, with clear goals and objectives and mechanisms for reviewing data and acting on it. This...mitigates the risk that the development of metrics becomes a distraction or a substitute for tackling underlying policy challenges (paragraphs 7 and 1.5).
- It is vital to have good, accessible public reporting on performance information. This allows stakeholders to test and challenge the conclusions that decision-makers draw from it. It can also help engage citizens with any behaviour changes required (paragraphs 9 and 1.5).

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