

Net Zero Deep Dive Review

**AUDIT COMMITTEE MEETING
DATE 2021/22**

20th April 2022

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. INTRODUCTION AND PURPOSE

- 1.1 The Council recognises that it has a major role to play in shaping the Green agenda within the Borough, not just with its own Net Zero targets, but in driving behavioural change from its residents and businesses. Stretching reduction targets have been set, which require funding beyond that which would ordinarily be available to the Council, meaning that we must be proactive and creative in seeking out new funding and financing mechanisms. A copy of the terms of reference of this deep dive is attached at Appendix 1.

2 CONTEXT

- 2.1 Looking at wider plans for decarbonisation across our estate, major investment will be needed in the short/medium term to retrofit Council buildings, including social housing stock, to improve insulation and energy systems, even if there may be savings to be derived in the long term from reduced waste collections, energy efficiency and energy generation activities.
- 2.2 Government announcements to date to financially support this work are woefully inadequate, neither responding to the scale of the task nor acknowledging the rapidly narrowing window of opportunity. The Council's ambitions for decarbonisation will require substantial mobilisation and leadership across the organisation and involve transformational work across almost all functions, rethinking how we work. This coupled with a desire to extend this activity by using the role of the Council in leading, shaping and influencing decarbonisation of the Borough will place added requirements that will need to be effectively targeted, managed and resourced.
- 2.3 The Council also recognises the importance of the here and now in tackling the Climate Emergency and has allocated a total of £25.1m to green initiatives in the period 2022/23 - 2024/25, with proposals for further green projects being worked up. Many of these projects are contributing to mitigating or adapting to the impacts of the climate crisis. Projects will be added to this capital programme as funding is confirmed. However, it should be noted that as a result of the pandemic, some major funders such as Transport for London (TfL) are facing uncertainty with their finances and hence it is not possible to state what level of funding will be granted for future years, but we continue to work closely with TfL and are ready to respond as new funding initiatives are announced to ensure we can deliver green initiatives across the borough. We completed an external funding assessment before the summer that was presented to the Environmental Sustainability Board for comment and will act as a backdrop to the proposed Financial Strategy work above.
- 2.4 A link to the workshop presentation can be found [here](#). A summary of the discussions is set out in Appendix 2.

FINDINGS

3 Thematic Action Plans

- 3.1 The seven thematic plans detail the key strategic actions that will need to be made by the authority over the next three years and will form the basis of the content of the Climate Action Plan (CAP) to be formally consulted with the public later this year.
- 3.2 They will be underpinned by a set of thematic implementation plans which provide detailed actions and timescales. Their focus is on where we either have direct control or strategic influence as these present the most likely opportunities to make a difference.
- 3.3 The implementation plans will build on the independent assessment (review of target areas for activity, implementation levers, Net Zero impact amongst others), but also recognise where the wider benefits will be a driver for action. Examples include the Resilient and Green thematic action plan where the principal focus is on addressing adaptation needs rather than solely carbon emission reductions. Actions around buildings retrofit in the short to medium term will be influenced by the need to reduce fuel poverty alongside Net Zero.
- 3.4 The plans will also focus on a wider range of drivers/changes needed so as to better enable the Council to scale delivery for the subsequent period of the CAP that will follow, most likely for a period of five years to 2030.
- 3.5 Recognition of the key synergies between plans is being robustly assessed and prioritised. Examples include the economic benefits - skills and employment to wider society of delivering retrofit at scale, as well as how we transition in a just way for those whose current employment is likely to decline over the longer term.
- 3.6 A summary of the key focus of the CAPs is summarised below:
 - actions where we either have direct control or influence;
 - developing robust funding models and funding bids to meet future delivery requirements;
 - resolving or reducing technical and legal constraints: eg understanding our own building stock better, delivering pilots, reviewing leaseholder charging models for social housing;
 - getting the organisation into the best place to meet the challenge: reskilling and carbon literacy, tailored additional staff resources as well as making better use of resources already in place, embedding accountability for Net Zero more widely;

- joining up the work more effectively both internally and with others: consolidating partnerships to accelerate delivery - London Councils, Local Government Association, Mayor of London, Local Authorities;
- focusing our lobbying better around high impact regulatory changes: eg Minimum Energy Enforcement Standards etc, and switching levies to gas;
- putting in place the right local policy and guidelines to aid delivery: informing future Local Plan review, new Sustainable Construction SPD, homeowner guidance for retrofit; and
- scaling quickly areas of high impact that we know how to do already: 'No regrets' actions such as Low Traffic Neighbourhoods (LTN) and active transport.

4 Management Arrangements

- 4.1 The changes in internal governance implemented over the last year or so have sought to broaden participation and accountability across the authority to deliver Net Zero. It is recognised that there are a small number of current gaps which have principally been as a result of the strain on the organisation to deliver its substantial Covid response - education and schools/adult social care. Engagement of these key departments in the future must be purposeful and aligned around both specific practical aspects with clear outcomes, as well as organisation wide activities such as embedding Net Zero into our procurement and commissioning to maximise impact.
- 4.2 The current membership of the executive structure (Environmental Sustainability Board) for oversight of our response to Net Zero includes the following services at senior level: finance, procurement, area regeneration, public health, new homes, corporate property, corporate policy and strategy, public realm, social housing, housing strategy, public affairs, communications and engagement. Three key lead member portfolio holders are also formal members of the Board.
- 4.3 These wider cross Council groupings are reflected as part of the thematic CAP working groups and Strategic Officer Climate Group (SOCG) and Finance and Resources Group. The purpose of the Climate Action Plan Working Groups (CAPWG), each driven by an accountable lead, is to develop the individual thematic CAPs. These will then be incorporated into one Hackney CAP, planned to go out for formal consultation later this year.
- 4.4 Seven CAPWGs have been established to align with London Councils Climate Change Programme. The CAPs will also need to assess the impact of external policy and strategy related to the individual work streams where applicable, ensure that the resourcing and funding requirements are identified and show pathways to meeting our targets.

- 4.5 In addition to this, working groups will be established to provide direction and support of the CAP development, and will, as a minimum, include the Finance and Resources Group and a Communications & Engagement Group. Where required, the Strategic Officer Climate Group (SOCG) will also establish task and finish groups to address specific challenges and work streams that may arise e.g. a Consultation Task & Finish Group.
- 4.6 To provide the necessary independent assurance of our draft plans, Buro Happold have been appointed to further support the detailed development of the thematic CAPs by working directly with the Retrofit, Renewable Power, Low Carbon Development, Low Carbon Transport, Consumption Based Emissions and Resilient & Green Groups. They have:
- Prepared an independent draft set of high-level actions for the next 3 years, aligned with the assumptions and themes of the Net Zero pathways
 - Facilitated a meeting with each group to discuss the BH independent actions and compare with the officer-recommended actions
 - Circulated workshop to staff to incorporate into updates as appropriate
 - Consolidated the workstreams' high-level suggested actions post staff engagement
 - Assessed alignment of high-level suggested actions with pathways modelling, with high level assessment of relative emissions impacts for each action
 - Identified synergies between high-level suggested actions
 - Issued a covering note summarising outcomes, and tracker of comments on the CAP thematic plans
- 4.7 Burro Happold have recently completed all of the meetings, and will be in a position to collate all of the CAPs, to include further discussions with theme leads, especially around the synergies and links across the themes and resourcing requirements in April.

5 Consultation and Engagement

- 5.1 Although community and public involvement was not a specific focus of the 'deep dive', Members have rightly drawn attention to the need for a coherent and thoughtful approach.
- 5.2 Hackney Council has an ambitious vision to rebuild a greener Hackney in the wake of the coronavirus pandemic, and has led some of the UK's most innovative interventions to improve air quality, reduce motor vehicle traffic and emissions and encourage its residents to change their behaviour to tackle climate change.
- 5.3 In the last 18 months, the Council has led a mix of project-based statutory consultations and broader digital and place-based resident engagement on its

LTNS, School Streets, Parking Enforcement Plan and other walking and cycling proposals. This work has seen thousands of specific responses to consultations, broader feedback about our ambitions and genuine conversations between councillors, council officers, residents, businesses and activists. In particular, the Council used an online platform (Commonplace) to seek broad resident feedback, and has heavily promoted this throughout all of its communications since 2020.

- 5.4 In addition to these projects, the Council has worked with already-engaged residents, external stakeholders and experts and local groups on its Air Quality Action Plan, Local Nature Recovery Plan and other climate-specific strategies in the last two years.
- 5.5 However, the length of the pandemic has hampered the degree of direct engagement undertaken to date, although we still held two large scale public events, the first for voluntary and community organisations to start building a consensus about a greener recovery from the pandemic (this was co-designed with community groups), and a second that reflects political commitments for a resident facing Citizens Assembly. The latter was held on 3rd March 2022 where a demographically representative group of residents were able to debate and explore the Council's Net Zero ambitions and emerging Climate Action Plan. A retrospective by the Mayor and Cllr Coban regarding that event can be viewed [here](#).
- 5.6 We do however recognise the need for a more structured long term response to engagement of residents and other key stakeholders. Key components have been outlined in more detail in earlier annual reports on progress with decarbonisation commitments, tabled at Full Council in July 2020 and 2021. As we emerge from the pandemic we are now better placed to take this forward and the development of our CAP provides a good opportunity to anchor it to practically shaping action rather than higher level debates regarding the climate and nature crisis.
- 5.7 To this end, we applied to the [Local Climate Engagement \(LCE\) programme](#) which supports local authorities to engage communities in their climate decision-making helping to build a deeper understanding of local preferences, aspirations and needs - reaching beyond those they most often hear from, and enabling the development of policy that is more likely to achieve public buy-in and trust. It also supports local authorities to tackle the risks and challenges they can experience around public engagement, obtain wider participation in climate action, and achieve a fair transition to Net Zero.
- 5.8 Some of our local policies – while popular and supported in consultation work – have created division within our community. As the Council seeks to explain its Net Zero vision to residents and engage them on the action that will need to be taken to meet it, it will do so in a challenging public environment. Participating in the LCE

programme will help support the Council in developing a new approach to public engagement on climate action, and bring together elected councillors, senior officers and communications and engagement officers on how to do this. It will help train a broader range of staff in the authority to take shared ownership of how good public engagement works, and build multi-disciplinary teams to deliver it. It will also give the authority expert opinion on the external governance needed to provide meaningful scrutiny on its work, working collaboratively with residents and co-producing approaches wherever possible. By bringing together many suggested ways of engaging residents – ranging from citizens assemblies to statutory consultations – into a more coherent programme, we seek to avoid the risk that approaches would be more conventional and only hear from already engaged citizens generally on either side, for example, of the LTN debate.

- 5.9 Excellent and genuine public engagement is in Hackney Council's DNA, and we want to ensure that as we move on from LTNs and emergency measures, and onto a shared vision to meet Net Zero with a practical action plan, we will engage residents at an early stage about the scale of the climate crisis and the policies that should tackle it.
- 5.10 Our CAP is not yet fully developed and our ambition is that the practical action needed to meet Net Zero is a shared vision amongst everyone in our borough – rather than a Council strategy we're simply consulting residents on.
- 5.11 A more detailed community engagement plan will be developed as the CAP moves to the consultation stage and will be reported to Council as part of the Annual Update and further set out in the Cabinet report to approve the CAP for external consultation.

6 Financing

- 6.1 Whilst this is a huge financial challenge to meet Net Zero ambitions Hackney is not starting from scratch, as part of setting the 2022/23 budget Council approved £25m for green initiatives in the 2022/23 - 2024/25 capital programme. The table below summarises the programme.

Green Initiatives included within the Council's Capital Programme

£000	2022/23	2023/24	2024/25	Total
CO2 Reduction	3,776	7,814	3,637	15,227
Energy Efficiency	2,994	2,608	100	5,702
Recycling	1,573	600	0	2,173
Other	1,280	332	335	1,948

£000	2022/23	2023/24	2024/25	Total
Total	9,624	11,354	4,072	25,050

Delivery against the projects within the capital programme will be monitored through the Council's budget monitoring framework and form part of the quarterly performance reporting to Audit Committee.

6.2 Developing a fuller understanding of the finance and resourcing needs is being completed by assessment of strategic actions on an ongoing basis and to date has consisted of two discrete assessments, one at an early stage using the initial outputs from the thematic working groups and a second one post the completion of external assurance is currently underway. The approach is broad and encompasses estimated capital delivery costs, as well as the adequacy of existing staff resources and skills. This initial assessment is very much a first broad estimate of the high level actions coming through from the theme groups. More work is ongoing to develop accurate costings which will enable Members to make decisions.

6.3 The further iteration of estimated costs is being undertaken using the independently assured strategic actions. The key elements of the assessment are outlined below

- review of pipeline projects where budgets haven't been approved but project activities are being worked on and/or you have some estimates;
- estimates of costs for projects that will need to be developed within the next three years;
- review of existing annually approved budgets for green initiatives;
- review of latest iteration of High Level Strategic Actions and include a provisional annual funding allocation for wider consultancy support where required to develop the thematic plans further (retrofit may have a significant proportion of this type of activity, there are also similar items in a number of the thematic plans);
- review of High Level Strategic Actions to identify where additional staff resources or reskilling costs may be needed for the delivery of the three year thematic plans and whether new roles would be permanent roles or fixed term; and
- identification of likely funding sources.

6.4 The Finance Task and Finish Group are working closely with theme leads to further develop cost estimates and identify external funding opportunities. As part of the development of the funding strategy for this work we are not looking at the themes in isolation but all together so we can cost up the whole plan for delivering Net Zero targets.

- 6.5 There is a need to be proactive and creative in order to find new funding and a recognition that the Council will need to lobby the Government to get external funding for this agenda. As a Council we want to retrofit our properties but it is accepted that the funding is not available for this work. The Council's housing asset management plan on Council homes allows for circa £14,000 every 7 years to invest in the maintenance of our housing stock. The initial estimated cost of retrofit to get to Efficiency rating B is approximately £50,000 a property - indications from the pilot project under development indicate that the cost could be even more. There is a huge gap in funding and innovative funding solutions need to be explored as well as leveraging in funding from the Government.
- 6.6 The actions emerging from plans will align with the capital programmes but require more detailed work to be done. It is recognised that there will also be a revenue impact which will be built into the medium term planning and the HRA business plan finance model.
- 6.7 The sheer size of investment and pace of delivery needed and the lack of long term funding from the Government are the most significant challenges facing the council. We are now going into a period of increased austerity and we have a number of priorities and the need to invest in this space, particularly retrofit, is key. Government funding is required to fund the domestic retrofit of Hackney's properties including the ones we own as well as the community as a whole.
- 6.8 The speed of technological advances is also a challenge as the cost of new technologies are very expensive at the initial stages - the Council will want to make sure that we are not buying at the top of the market. This means running a pilot study for retrofit is challenging because of the impact on leaseholders on the scheme at the beginning of the retrofit journey, when the cost of retrofit will be significantly higher than in future years. Options to mitigate this will need to be considered.
- 6.9 Business investment cases are marginal. Investing in certain things can take a very long time to repay. Therefore, these will have to be supplemented with other funding. Also the principal agent issue in social housing and private rented needs to be considered. If investing in retrofit to save energy costs, the benefit goes to the tenant not to the person making the investment. This impacts on the ability to attract investment in this area - investors will want to see a return. Solutions to this issue will need to be found.
- 6.10 The strategic objectives of the CAP are linked to an evidence base and, as part of the second wave of assessment of costs, the required investment will be matched against the expected outcomes to ensure the Council is getting the most from the resources we have. The Finance group will also develop a prioritisation model which takes into account the cost of the investment, the impact in relation to

delivering Net Zero and also the deliverability of the action. An assessment of the resource needs encompassing the technical, financial and programme management requirement will also form part of this work.

- 6.11 This largest cost to deliver our Net Zero ambitions is in relation to retrofit. There is a London working group on this with involvement from many London Boroughs as well and other organisations. There is a need to be realistic on the Government's ability to give funding and start to explore how the private sector can help with this and lever these opportunities into the development of the Council's CAP funding Strategy. Hackney is also engaging extensively across London to make sure we are on the front foot on this.

7 CHAIR'S CONCLUSIONS

- 7.1 The presentations made to the Committee's Net Zero Deep Dive impressed Members in their range and depth. It was clear that a significant number of the necessary steps have already been taken in building a credible Climate Action Strategy for the Borough. However, from the subsequent discussion, it was equally clear that the Council faces enormous challenges in turning its good intentions into effective action like all local authorities and governments.

- 7.2 Although the organisation of activities within the Council appeared to us to be robust, the programme would be further enhanced through a further strengthening of the central direction and oversight of Net Zero ambitions across the organisation. We also heard from officers that tasks in drawing up the Climate Action Strategy are still in development in accordance with the agreed timelines. This, in turn means the timetable for getting the Climate Action Strategy formally approved by the Council at the end of this year is understandably challenging.

- 7.3 As well as these general issues, we identified four other areas where we felt current activities and plans need to be developed.

7.3.1 The seven **Thematic Action Plans** are the key link between Hackney's overall Climate Action Plan and its achievement on the ground. We heard that work is going well in all the thematic groups and that the results are being independently assessed. These seven plans are the crucial driver for change. These plans are vital to establish a credible relationship between each proposed action and its impact on the net zero target, to set specific targets and timetables and to demonstrate how and what the key stakeholders will need to contribute. We were able to see the substantial progress being made on these plans. There are comprehensive reviews of actions, priorities and interconnections between the themes.

It is recognised that more modelling on the actions needs to be undertaken and it is noted that a key focus of the next phase of development work will include more detailed financial modelling which will assess the costs and expected impact. The development of such a model will enable decision makers to say that a £ invested in a particular range of activities within each thematic climate action plan will have a particular quantitative impact on carbon reduction. This work is essential to inform the prioritisation and allocation of resources to achieve the greatest impact. One of our members highlighted a particular example of the need for comparative measures in the field of investment in energy saving to give a basis for allocating funds and setting appropriate standards.

- 7.3.2 **Management arrangements:** there was impressive evidence that there is good coordination between the various streams of activity involving a wide range of officers. We wanted assurance on the contribution that key service departments will need to make to the Climate Action Strategy. There was good evidence of the integration of housing services, corporate services and public realm services with the programme but we want to see more evidence that other services were similarly involved. It would be good to understand how the main service departments are integrated with management and budgeting for the Climate Action Strategy. We suggest the next stage of the planning process should demonstrate how the service departments are committed in concrete terms (actions and budget spend) to implement the aspects of the overall Climate Action Strategy that fall within their scope.

We believe it will be vital that the Executive Member in charge of the Net Zero target in the next Administration has sufficient authority, supported by the Mayor, to ensure other departments give priority to this overriding task of achieving net zero.

- 7.3.3 **Community / public involvement and support.** The Climate Action Strategy will acknowledge the key role that the public needs to play in achieving net zero. This suggests there will need to be a strong community dimension in the consultation exercise ahead of the Plan's approval. However, Members felt that neither of these issues has yet been given sufficient attention. The important role that community leadership might play in understanding the issues and helping to win support for their implementation has not been addressed. Yet without general public support, net zero will be little more than vague aspiration. As the presentation underlined, the Council has little influence over the majority of carbon emitters. We suggest there should be a separate strand of work on community and public that informs both the general strategy and its detailed implementation at community level.

7.3.4 **Financing.** In many ways this is the most challenging area for the Council given the need to mobilise very substantial investment from a wide range of organisations outside the Council's direct influence. We were reassured there is a clear recognition of the scale of investment needed and that some work has been done to identify possible partners and sources of funds. There is a commitment to producing a three-year medium term investment plan as part of the Climate Action Strategy and this is welcome. However, there remains understandably further work to do in planning for the period from 2025 to 2030 (2030 is when some of the first key substantive reduction targets will need to be achieved). There is a commitment to setting out the scope and possible sources of funds for this crucial period and again, this is welcome. However, we would emphasise the need to prioritise this work given the time it will take to identify the financial options at scale that will be necessary.

7.4 Finally, we suggest the Audit Committee under the next Administration retains a close interest in the oversight of the implementation of the Climate Action Strategy. Not only is the issue acknowledged to be a national and local emergency, but the work done so far by the Council shows what a pivotal influence it can play in the local community's response. Too often climate change has been an issue where good intentions have not been followed up in practice. All our futures depend on the effectiveness of the actions we take over the rest of this decade and beyond.

8 RECOMMENDATIONS

8.1 Consideration should be given to a robust performance monitoring reporting framework against the CAP once it has been approved for delivery. Key performance information should be built into the regular performance monitoring to Audit Committee.

8.2 It is essential that purposeful and meaningful engagement of all departments of the Council is built into the delivery of the CAP. Officers should develop a framework for this engagement to ensure the whole organisation is contributing to the delivery of Net Zero.

8.3 Obtaining trust and buy-in from our stakeholders and communities for our CAP is key. Further, with only 5% emissions being in the Council's direct control, engagement with our communities and key stakeholders is essential to us delivering on our net zero targets. Building on the recent green recovery event and Citizen's Assembly, a comprehensive communication and engagement strategy needs to be developed and delivered to sit alongside the CAP.

8.4 We endorse the commitment for the development of a longer term Capital Investment Strategy that the CAP will be a significant element and welcome the aspiration to

develop financial planning for capital over a longer time period, up to at least 2030. It is accepted that this will be challenging and require the inclusion of assumptions given the lack of certainty that exists for longer term financial planning at Government level but commend the Group Director of Finance and Corporate Resources ambition to strive for this and his intention to move to longer term capital financial planning for the whole of the Council's capital programme over the medium term.

9 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

9.1 There are no direct financial consequences arising from this report. Resources to deliver the Council's CAP will be considered as part of the Council Medium Term Financial Planning and budget development framework.

10. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

10.1 The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk.

10.2 There are no immediate legal implications arising from the report.

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Comments of the Group Director of Finance and Corporate Resources	Deirdre Worrell 020 8356 7350 deirdre.worrell@hackney.gov.uk
Comments of the Director of Legal, Democratic and Electoral Services	Dawn Carter-McDonald, 020 8356 4817 Dawn.carter-mcdonald@hackney.gov.uk

Terms of Reference

Audit Committee Net Zero Deep Dive

Introduction

The Council recognises that it has a major role to play in shaping the Green agenda within the borough, not just with its own Net Zero targets, but in driving behavioural change from its residents and businesses. Stretching reduction targets have been set, which require funding beyond that which would ordinarily be available to the Council, meaning that we must be proactive and creative in seeking out new funding and financing mechanisms.

Looking at wider plans for decarbonisation across our estate, major investment will be needed in the short/medium term to retrofit Council buildings, including social housing stock, to improve insulation and energy systems, even if there may be savings to be derived in the long term from reduced waste collections, energy efficiency and energy generation activities.

Government announcements to date to financially support this work are woefully inadequate, neither responding to the scale of the task nor acknowledging the rapidly narrowing window of opportunity. The Council must work alongside others to maximise the collective pressure on Government for transformational change, securing the funding that is urgently needed to achieve it. The Committee on Climate Change is estimating that the UK will need to spend circa £33 billion a year on decarbonisation every year to 2050 in order to reach Net Zero emissions by that date.

The Council's ambitions for decarbonisation will require substantial mobilisation and leadership across the organisation and involve transformational work across almost all functions, rethinking how we work. This coupled with a desire to extend this activity by using the role of the Council in leading, shaping and influencing decarbonisation of the Borough will place added requirements that will need to be effectively targeted, managed and resourced.

The Council also recognises the importance of the here and now in tackling the Climate Emergency and has allocated a total of £26.1m to green initiatives in the period 2021/22 - 2023/24, with proposals for further green projects being worked up. Many of these projects are contributing to mitigating or adapting to the impacts of the climate crisis. Projects will be added to this capital programme as funding is confirmed. However, it should be noted that as a result of the pandemic, some major funders such as Transport for London (TfL) are facing uncertainty with their finances and hence it is not possible to state what level of funding will be granted for future

years, but we continue to work closely with TfL and are ready to respond as new funding initiatives are announced to ensure we can deliver green initiatives across the borough. We completed an external funding assessment before the Summer that was presented to the Environmental Sustainability Board for comment and will act as a backdrop to the proposed Financial Strategy work above.

Purpose of Deep Dive

As set out above, the organisational response to the Climate Emergency and delivering our Net Zero ambitions is a significant challenge for the Council. This deep dive seeks to provide assurance that:

- internal governance arrangements established to deliver this corporate priority are robust;
- the development and approval of the Climate Action Plan will underpin progress against our Net Zero targets; and
- the future delivery programme is aligned with the Council's capital programme.

The approach to this review is to:

- Consider the internal governance arrangements put in place following the review in 2021. Are these suitable and sufficient to meet requirements both now and in the future?
- Consider the timelines for publishing an approved Climate Action Plan (CAP) which will cover a period of three years. How will the focus of the initial CAP support the longer term commitments to deliver on Council and boroughwide Net Zero commitments?
- Consider the future delivery programme's relationship to the Council's Medium Term Financial Plan (MTFP). How will the projects to deliver the CAP be approved and aligned to the MTFP and in particular capital planning?
- In particular, consider the issue of resources and target outcomes against the timings set out in the emerging CAP and in the context of the Council's overall 2040 Net Zero strategy.

Participants/Contributors

The intention will be to invite contributors to a workshop session to present to Audit Committee and respond to questions, as follows:

- Group Director Finance and Corporate Resources - Ian Williams
- Strategic Director Sustainability and Public Realm- Aled Richards
- Director, Neighbourhood and Housing Finance - Deirdre Worrell
- Head of Sustainability & Environment - Sam Kirk

- Strategic Delivery Manager - Matthew Carrington
- Cllr Mete Coban - Lead Cabinet Member for Energy, waste, transport and public realm

CAP Theme leads may also be asked to attend.

Timescales

Week commencing 14th February	Agree brief and ToR
Week commencing 14th March	Workshop with Audit Committee Members
April	Findings to April Audit Committee meeting

Summary of Deep Dive Workshop Discussions - 17th March 2022

1 Where we are now

- 1.1 Going through a pandemic has meant there has been a massive financial challenge for Hackney but one thing Hackney has found during COVID19 when talking to residents and community organisations, is the pandemic has resulted in a greater appreciation of the environment and health within the community. There is now more focus on wanting to improve air quality and traffic issues and the wider climate issues which was clear during the Climate Summit held with residents earlier in March.
- 1.2 It was noted that the Council's response to the CLimate Emergency is not just one directorates' responsibility and it has been realised that the responsibility needs to be cross-cutting across the whole of the organisation. This will require a diverse range of contributors and leaders at all levels not just in the council but also in the community.
- 1.3 The time in which work needs to be done to meet the climate crisis needs to be undertaken in a narrowing window with Net Zero being met by 2040. Over the last 3 - 4 years Hackney has been focusing on delivery and strategy and have rolled out major initiatives especially those in relation to sustainable transport to reduce car travel, improve air quality and road safety. The Council has also planted more trees within the borough than any other London Borough and this has been reflected in being recognised at the LGC awards and have been shortlisted for an award across the UK in Hackney's efforts to tackle climate change. This shows good nationwide understanding that Hackney is leading the way on tackling the climate crisis and have delivered ambitious programmes in comparison to other councils.
- 1.4 Hackney Council's target in relation to climate change is to get a 45% reduction in CO2 equivalent emissions against 2010 levels by 2030 and Net Zero emissions by 2040, across the Council's full range of functions. Hackney is currently at 29% reduction of these targets due to the work which has already been undertaken but there is a lot more work to be done to meet the targets.
- 1.5 As the climate crisis is now one of Hackney's biggest priorities a number of changes have been made in the organisation's structure which reflects a more systematic approach to the climate crisis. The Chief Executive has expanded the neighbourhoods and Housing directorate to Climate, Homes and Economy Directorate in order to maximise the synergies of inclusive economy, growth, green skills, housing, regeneration and climate change, public realm, transport and environment services to bring everything together to get a coordinated response to the climate agenda.

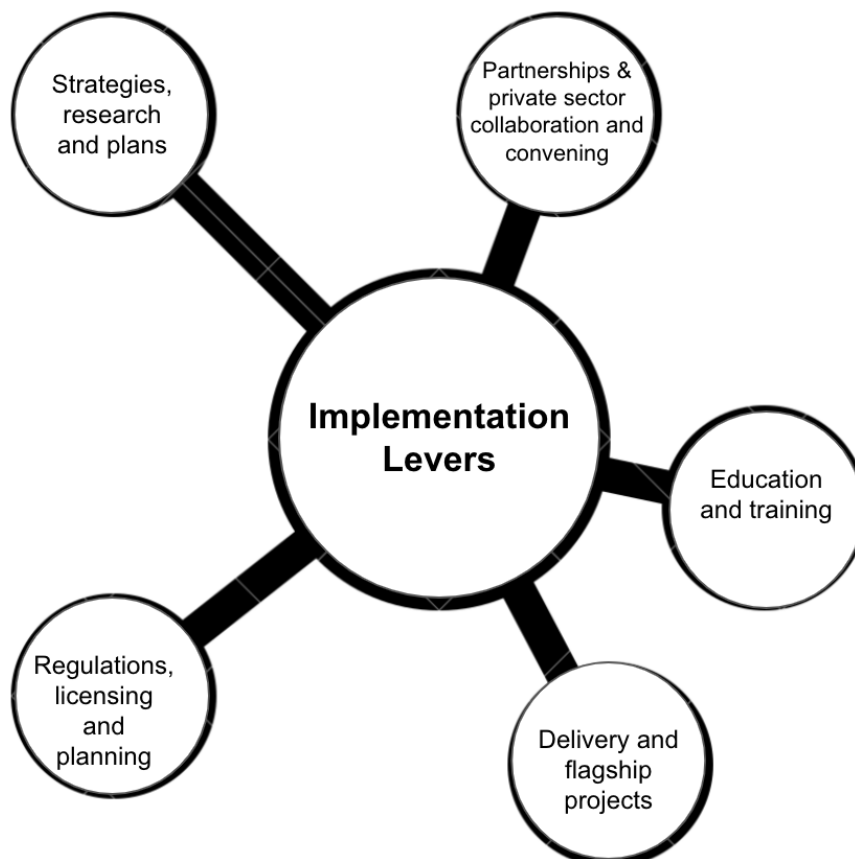
- 1.6 It was noted that the Council can directly control about 5% of the borough emissions but it does have a strong influence on a further 25% of carbon emissions. Strong influence means that Hackney can implement policy, strategy and service changes to influence and change people's behaviour. Examples of this are setting out strategy for a modal shift into sustainable transport or changing the waste collection service (fortnightly collections) to reduce the amount of waste residents produce. These behaviour changes have been done not by forcing or imposing change on people but have behaviour change officers to engage with residents to try and find out how the service change can be adapted to meet their particular needs to bring the residents on side of making the changes.
- 1.7 Remaining 70% of emissions is where Hackney has a lot less influence on these emissions. For example, this may include the food residents choose to consume, if they choose to travel by plane etc. Therefore, behaviour change is key for us to reduce emissions and reduce the impacts of climate change.
- 1.8 **Discussion point - Does the Council have an understanding on the carbon reduction we can get from influencing in these areas**
Committee was advised that baseline assessment and modelling is currently being undertaken by our climate change consultants which is looking at what our high impact actions are on carbon reduction and therefore where we need to focus and act. This work will also inform the development of the strategic actions to ensure that they align with the emission pathway modelling and that the actions we propose within the CAP will reduce the amount of emissions required to reach our target. All this work is coming from a critical thinking and evidence approach.

2 Developing and publishing the CAP

- 2.1 It was noted that Hackney is not starting from scratch in its work to meet the boroughwide Net Zero commitments. The presentation set out the roadmap in which Hackney is on in reaching Net Zero targets. Certain aspects of the work to reach Net Zero are at earlier stages than others due there being less knowledge and experience in some areas and with some areas also being very costly in comparison to other areas of work.
- 2.2 The CAP will be published in Winter 2022 but the work to get to publication is very complex. Hackney has adopted the London Council CAP themes as these themes have been based on evidence from the review of other Council CAPs. The themes are:
1. Retrofit Hackney
 2. Low Carbon Development
 3. Renewable Power for Hackney
 4. Low Carbon Transport
 5. Consumption Emissions

6. Green Economy
7. Resilient and Green

- 2.3 The plan has been developed for the next three years and ultimately will be succeeded by a 5 year plan. The reason for these timelines is it maintains momentum in work as well as acknowledging there will be a lot of change in plans as technology and costs associated with climate work are constantly changing.
- 2.4 The CAP development is exploring ways Hackney can adapt to climate change as well as reduce emissions. Key areas have been selected where the Council knows it has control and can make substantial and impactful progress. Although following the London Council themes Hackney's CAP will be nuanced and streamlined to ensure work in different topic areas can come together. Each theme is currently being developed by a thematic CAP lead and experienced working group. Once developed, actions from thematic CAPs will go into one consolidated CAP. Some CAP topics also look at implementing wider benefits including socioeconomic benefits.
- 2.5 The actions of the thematic CAPs are being developed using the implementation levers set out in the diagram below.



Taking a systematic approach to using these levers will support the development of an evidence based CAP which will have the best possible impact on achieving the Council's targets for emission reduction.

- 2.6 Key focus areas, which have the greatest impact are the areas where the development work on the CAP is ongoing. However, these key areas will need to be better prioritised as we need to realise that we can't do everything and therefore need to look at where we can influence the most and make the most impact. This means that the CAP needs to be focused. The CAP should not be simply a list of actions which are unworkable or will have minimal impact. Having more focus also enables us to step back and see where the wider system needs to be changed; the climate emergency is a systems based problem which requires a systems based solution.
- 2.7 **Discussion points:** Credibility and resilience of the CAP process is at the heart of the matter and therefore prioritising and monitoring is key. The aspirations are great but have we a feel on where the process has got to?
- 2.8 Officers have undertaken a lot of baseline work and have set up the Strategic Officer Climate Group (SOCG) which is made up of thematic CAP leads to drive the development of the CAP. Our consultants, Buro Happold are supporting this work and have also done a lot of work including the borough wide modelling of emissions which can aid in what we need to do to get the required emission reduction.
- 2.9 It was noted that there was a need to develop in-house expertise in this area to ensure we can challenge the work of our consultants. It is also essential that we undertake cost benefit analysis work and we will explore all avenues for expertise in this area including, working collaboratively with partners, other local authorities etc., and researching what Government has in this area.
- 2.10 It was noted that a Finance task and finish group which sits alongside the SOCG has been established and will make recommendations to inform the CAP development to ensure investment is targeted to achieve the greatest impact and deliver Value for Money for the Council.

3 Internal Governance Arrangements

- 3.1 The timeline outlines the stages of the CAP development, however, it is an iterative process and more stages have been added since the Annual Decarbonisation Report to Council in September. This is because as we do more work on the development of the CAP we realise there is more to be done to deliver a successful CAP and therefore the timelines change.

- 3.2 Currently we are consolidating our strategic actions for each thematic CAP, carrying out an independent review and challenge of the actions and assessing the financial cost. Once complete, the work will be considered by the Environmental Sustainability Board (ESB) and the Corporate Leadership Team. Once all themes are finalised and consolidated into one CAP it will go to Cabinet for approval to go out for consultation in the Autumn 2022.
- 3.3 In the early part of 2021 an internal governance review was carried out and a revised governance structure put in place so that it is fit for purpose to deliver the CAP. The new governance structure has 3 distinct tiers:
- Environmental Sustainability Board (ESB): Refreshed membership, senior officers and Cabinet members, with a clear 12 month work plan - Chair Ian Williams meets every 2 months
 - Strategic Officer Climate Group (SOCG) : Key tool for delivery of the Board's work plan including overseeing the Climate Action Plan working groups - Co-Chairs Matthew Carrington and Sam Kirk meets every six weeks
 - Climate Action Plan working groups: Develop the seven draft Climate Action Plans broadly in alignment with the themes identified by London Councils - accountable leads confirmed - meeting monthly
- 3.4 There are also task and finish groups which sit alongside such as one for finance and as we progress along the timeline there will be one for consultation and engagement.
- 3.5 There has already been some external scrutiny on the work done so far with feedback collected from residents at the Green Recovery Event held in late 2021 and the Climate Summit held earlier in March.
- 3.6 Hackney realises that for the effective implementation of the CAP there needs to be organisational development. Work on this has been initiated through the development of a carbon literacy training programme which will be available to all staff and lead members. It is also realised that the council will need to reskill its workforce in good time to meet the demand to get to Net Zero and adapt to climate change.
- 3.7 It has also been realised that once the CAP has been published there will have to be a review and refocus of CAP working groups and that there will need to be a robust and transparent monitoring framework in place to track progress of actions and achievement against the target.

- 3.8 **Discussion points** There is a need to develop climate change skills across the Council, Kensington and Chelsea have created a Green Skills toolkit. Do we plans to do anything similar? We have engaged training specialists to develop a carbon literacy programme which includes an e-learning module and then workshops to help teams upskill and increase knowledge on the topic. We are also exploring London wide resources such as the Mayor of London's Green Skills academy. We will also need to look at reskilling current staff and then also bringing in more technical people into the workforce to help on the required work. This isn't immediate but will look at this on horizon scanning and match to the timing of the actions with the CAP.
- 3.9 There was also a recognition that we need to develop skills externally across the borough and within the council as well as developing partnerships between the Council and the community and the theme lead for inclusive economy is already looking into this. We have also started to build an evidence base on what skills will be required of our workforce to take this agenda forward.
- 3.10 It was noted that the first target is only 7 years away and we do not have a workforce ready for this - it is difficult to see how our workforce will be ready in time.
- 3.11 It was also noted that whilst it was welcomed that governance arrangements were sound and focused on climate in the Public Realm, it is also important to get all services across the council involved and on board. Need to make sure all departments play a full role and know how this will be done. The revised governance arrangements set out the framework to fully involve the whole Council in this area. Discussions are being held with those areas of the Council not yet fully engaged. Need to balance replicating the Corporate Leadership Team (CLT) at ESB meetings. As the CAP develops and regular updates are taken to CLT engagement and participation in this area will increase.
- 3.12 Community and public involvement is central to this agenda and we need to make sure the public are part of this. At present it is not clear how we are getting their engagement and commitment to the climate emergency action or how we are accountable to them. on delivery.
- 3.13 In relation to public engagement, this work has begun - there was the green recovery event and, just recently, the climate summit. There will be more engagement and we develop projects to deliver the CAP and will be a major community engagement piece when the CAP goes to consultation. We also want a strategy to ensure that we hear the views of the hard to reach communities. This will be a key focus of the community engagement strategy..

3.14 It was noted that local communities are very focused on Low Traffic Neighbourhoods (LTNs) and there is a need to broaden the focus on the wider issue of climate change and the possible solutions.

4 Financial Impact and alignment with the Council Medium Term Financial Planning

4.1 There is a huge financial challenge to meet Net Zero ambitions although, as mentioned above, Hackney is not starting from scratch with £25 million allocated to green initiatives the 2022/23 - 2024/25 capital programme approved by Council as part of setting the 2022/23 budget. This is likely to increase over time.

4.2 The funding for this agenda is far beyond what is available to the Council and a blended approach to financing the CAP will be required. A working group has been set up to identify external funding opportunities.

4.3 Theme leads have identified 75 strategic actions within the thematic CAPs to be delivered over the next three years to five years. A cost categorisation model has been used to provide broad cost estimates of the actions. Some actions will be able to be undertaken with current funding in place and the rest require funding to be taken forward.

4.4 It is recognised that there will be external grant funding opportunities as well as income sources for some of the actions and these need to be robustly worked through with finance and the CAP teams. Therefore, this initial costing is very much a first broad estimate of costs and more work needed on costing for members to make decisions on where to invest money.

4.5 Work is being done to look at where the most impact can be made. So not just looking at how much it costs but where to prioritise investment through developing an impact piece which looks at the actions and which ones will deliver the most benefits. We are exploring synergies where the theme leads can better work together for example, renewable energy and retrofit.

4.6 Once the actions and detailed projects are further developed and scoped the finance task group will cost the plans, explore funding opportunities and align this work to medium term financial planning and capital programme development. Each project within the CAP which requires additional funding will be supported by a business case taking into account green book methodologies and expected impact and be considered by Members for inclusion in the CAP. This will then feed into the financial planning of the Council.

4.7 The Finance Task and Finish Group are working closely with theme leads to develop cost estimates and identify external funding. As part of the development of

the funding strategy for this work we are not looking at the themes in isolation but all together so we can cost up the whole plan of delivering Net Zero. The financial information will enable resource prioritisation to be carried out.

- 4.8 We need to be proactive and creative to find new funding and also realise we will need to lobby the Government to get external funding on this. As a Council we want to retrofit our properties but we need to realise we don't have the funding for this at the moment. Our asset management plan on council homes allows for £14 thousand every 7 years to invest in housing stock. The initial estimated cost of retrofit to get to Efficiency rating B is approximately £50,000 a property - indications from the pilot project under development indicate that the cost could be even more. There is a huge gap in funding and we need to come up with innovative ways to fund and lever in funding from the government.
- 4.9 The actions emerging from plans will align with the capital programmes but require more detailed work to be done. It is recognised that there will also be a revenue impact which will be built into the medium term planning and the HRA business plan finance model.
- 4.10 The sheer size of investment and pace of delivery needed and the lack of long term funding from the Government are the most significant challenges facing the council. We are now going into a period of increased austerity and we have a number of priorities and the need to invest in this space, particularly retrofit, is key. Government funding is required to fund the domestic retrofit of Hackney's properties including the ones we own and the community as a whole.
- 4.11 The speed of technological advances is also a challenge. We want to make sure we are not buying at the top of the market. This means running a pilot study for retrofit is challenging as how do you treat the lease holders on the scheme at the beginning of the retrofit roll out when the cost of retrofit will be significantly higher at the start than in future years. This needs to be considered.
- 4.12 Business investment cases are marginal. Investing in certain things can take a very long time to repay. Therefore, these will have to be supplemented with other funding. Also need to consider the principal agent issue in social housing and private rented. If investing in retrofit to save energy costs, the benefit goes to the tenant not to the person making the investment. Need to find a way to attract investment in this when investors want to see a return.
- 4.13 The biggest issue with the financial challenge facing us, is there are issues on resources we have and what we want to achieve. There is mismatch and we do not have sufficient funding to do everything that we need to do so we need to be creative

and flexible, working with the wider local government to challenge the Government to fund parts of this Net Zero work.

- 4.14 What we have done is made sure that the strategic objectives of the CAP are linked to an evidence base and we will concentrate on linking the investment to the required outcomes so we are making the most of the resources we have. We will identify key synergies as part of the next development phase of the strategic objectives. We are also developing a prioritisation model which takes into account the cost of the investment and the impact in relation to delivering Net Zero and also the deliverability of the action such as do we have the skills and other resources to deliver the action. We are also identifying resource needs both technical, financial and programme management. We plan to do this over three years to develop learning for longer term plans.
- 4.15 **Discussion points:** It was noted that there are still a lot of unknowns on plans and financing - how far are the Council in identifying the most impactful actions? In relation to assessing the impact of actions, the strategic actions were derived in December and currently we are undertaking an independent review on them to assess which will provide the greatest impacts and understand the costs to deliver these actions. A consideration of the steps that needs to be taken to deliver these high impact actions and exploring the Key synergies will be undertaken too. This work is on track to be completed by June.
- 4.16 It was appreciated that the Council needs to think creatively to raise funding to deliver the CAP. The UK infrastructure bank is now lending money and we should also consider community municipal bonds.
- 4.17 The development of Funding Strategy for the CAP is a key objective for the Finance Task and Finish Group - as part of this work will explore all options for funding this work.
- 4.18 In respect of retrofit and the huge cost of this work it was recognised that considering the massive funding required to deliver this is so daunting that it becomes a block to progressing with other more deliverable actions. Need to consider where the quick wins are.
- 4.19 It was noted that there was a need for action from the Government. Local Authorities are making the case to the Government, as are private sector bodies such as landlords etc which are impacted by the costs of getting to Net Zero. Lobbying, national change and regulatory levers are all required to deliver this change.
- 4.20 In relation to retrofit there is a London working group on this and has input from London organisations. Also need to be realistic on the Government's ability to give

funding but start looking at how the private sector can help with this and lever these opportunities into the development of the Council's CAP funding Strategy. Bankers without Boundaries are doing a lot of work on this and looking at ways across the country to lever significant sums of money. Hackney is also engaging extensively across London to make sure we are on the front foot on this. Medium term financial plan usually looks at 3 years but is effectively a 1 year rolling plan due to a lack of longer term planning at Government level. There are still many uncertainties on what funding will come forward due to impacts such as rising inflation on energy and other supplies, the cost of living crisis and the impact on income levels as well as the continuing impact of COVID. One ambition for the Council is that if we do get certainty on funding, we will start mapping out our financial programme, particularly capital, over a ten year period.

- 4.21 There was a recognition that there was a gap between the financing framework of 3 years for the CAP and the need to be Net Zero in 2040 and that we will not be able to achieve our target without a good financial case.