

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 November 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2602 – Carbon Budgeting
REPORT NUMBER	IA/AC2603
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Carbon Budgeting.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Carbon Budgeting.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

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- 7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

- 8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

- 10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

- 11.1 Internal Audit report AC2602 – Carbon Budgeting

12. REPORT AUTHOR CONTACT DETAILS

Name	Jamie Dale
Title	Chief Internal Auditor
Email Address	Jamie.Dale@aberdeenshire.gov.uk
Tel	(01467) 530 988



Internal Audit

Assurance Review of Carbon Budgeting

Status: Final

Date: 05 November 2025

Risk Level: Corporate

Report No: AC2602

Assurance Year: 2025/26

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

Report Tracking	Planned Date	Actual Date
Scope issued	28-May-25	28-May-25
Scope agreed	06-Jun-25	06-Jun-25
Fieldwork commenced	09-Jun-25	09-Jun-25
Fieldwork completed	11-Jul-25	05-Sep-25
Draft report issued	01-Aug-25	17-Sep-25
Process owner response	22-Aug-25	09-Oct-25
Director response	29-Aug-25	05-Nov-25
Final report issued	05-Sep-25	06-Nov-25
AR&S Committee	27-Nov-25	

Distribution	
Document type	Assurance Report
Director	David Dunne, Interim Executive Director – City Regeneration and Environment
Process Owner	Alison Leslie, Team Leader – Climate and Sustainability Policy
Stakeholder	Sinclair Laing, Climate and Environment Policy Manager
	Jenni Lawson, Chief Officer - Governance*
	Jonathan Belford, Chief Officer - Finance*
Final only	External Audit
Lead auditor	Rachel Brand, Auditor

1 Introduction

1.1 Area subject to review

Section 44, of the Climate Change (Scotland) Act 2009 (“the 2009 Act”) requires the Council, in its exercising functions, to act:

- In the best way calculated to contribute to the delivery of the targets set in or under Part 1 of the 2009 Act. The 2009 Act states that the net-zero emissions target year is 2045.
- In the way best calculated to help deliver any programme laid before the Scottish Parliament under section 53 of the 2009 Act; this is the Scottish National Adaptation Plan; and
- In a way that it considers is most sustainable.

Under the Climate Change (Duties of Public Bodies: Reporting Requirements)(Scotland) Order 2015 the Council must include narrative in annual Climate Change Reports on how it will align its spending plans and use of resources to contribute to reducing emissions. In addition, public sector bodies should report the date by which they intend to achieve zero direct emissions and set targets for influence on reducing indirect emissions.

The carbon budget supports delivery of the Council Climate Change Plan. It sets the maximum tonnes of carbon dioxide equivalent (tCO₂e) against a set reporting boundary that the Council can emit in a given period, to keep on track with our own emission reduction targets, set in the Council Climate Change Plan, these are net zero target by 2045; and an interim target of 75% reduction by 2030. The Council’s Climate Change Plan and associated targets are currently undergoing review for the period 2026-2030 and are therefore subject to change for future years.

The carbon budget indicates an emission reduction pathway informed by historic emissions data, annual emission factors, estimated carbon savings from known projects and considers factors that may place pressure on the carbon budget, where information is available.

Emissions are classed under the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard as:

- Scope 1: direct emissions i.e. from use of gas heating, diesel in fleet.
- Scope 2: emissions from electricity and purchased heat and steam.
- Scope 3: indirect emissions, from activities related to external processes

An annual carbon budget monitoring cycle is in place, this includes:

- High level quarterly updates to Net Zero, Environment & Transport (NZET) Committee, through the Performance Report.
- Annual carbon data reported to NZET Committee, as part of the Council Climate Change Report before submission to Scottish Government.
- Annual carbon budget setting at Council.

Where requested, quarterly updates are provided to Senior Management, including CMT and the Strategy Board and regular updates are provided to the Climate Oversight Group.

1.2 Rationale for the review

The objective of this audit is to ensure that appropriate arrangements are in place regarding carbon budget setting, monitoring and reporting. This area has not been audited previously.

Key risk areas include:

- Engagement and buy-in at a strategic and operational level to identify and deliver relevant projects/interventions and behavioural changes across the Council.
- Programme and project management.
- Availability of complete, accurate and timely data to support effective planning, monitoring and action.
- Set requirements to report progress annually to the Scottish Government.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the arrangements in place regarding carbon budget setting, monitoring and reporting. Although controls have been developed, the review identified areas of weakness in their implementation and application, and there is a requirement to strengthen the framework of control to provide assurance over delivery against the Council's priorities, specifically:

- **Staff Guidance and Governance** – At an employee level, the main focus of guidance and training is on behavioural change to reduce energy demand, but the majority of planned savings are derived from infrastructure level changes. Carbon budget guidance has been prepared, outlining key areas of focus, and an overview of the governance arrangements put in place for delivering the Council's climate duties. However, this does not specifically cover a 'carbon budget-holder' role, and the requirements for and responsibilities of other key roles are not set out in detail. Whilst a Climate Oversight Group meets regularly to review guidance, planning, progress and reporting, there have been frequent absences and limited substitutes, impacting on the level of assurance. Carbon budget implications have been added to the Council's risk assessment process, Integrated Impact Assessments (IIA's), service-standards/design/commissioning, and Project/Capital business case templates, but the requirements are high-level, and there is no explicit requirement to quantify the anticipated tCO₂e impact. Templates indicate that in some cases this has been appended to, rather than integrated into, decision-making processes.
- **Carbon Budget Setting** – There is no written carbon budget setting process. An annual limit for each financial year is set by reference to the reduction required to remain on track to deliver the Net Zero target by 2045. The budget is split into key categories, and an indicative allocation between Functions and Clusters has been set out for the first time in 2025/26. Without a defined process, clear requirements and management buy-in, there is a risk that a balanced carbon budget will not be set in advance of each new financial year. The 2025/26 budget was not balanced – of 1,956 required only 1,169 (60%) tCO₂e potential savings had been identified at the point the budget was set. As noted above, carbon budget implications have been incorporated into key decision-making processes, but are not quantified, and the results are not specifically collated to support budget estimates. All targets are measured in tCO₂e. The Council has not set limits on e.g. the amount of energy or fuel used, or miles driven, either in total or for each cluster. There is a risk this makes the goal less tangible, reducing focus on delivering against it. Revised guidance has brought further emissions sources and categories into scope since the carbon budget was first set in 2023, including e.g. district heating and home working. The Council has added these to 'carbon expenditure' but not to the budget baseline itself, which could impact on confidence in achieving the carbon budget.

- **Carbon Budget Monitoring** – Effective budget monitoring requires complete, accurate and timely data to support effective planning and action. However, carbon budget monitoring data has inherent time-lags, variability in quality and conversion factors, and it is not being reported regularly in sufficient detail to provide assurance and to support action to address any identified risks to delivery against planned targets. Although the proportion of carbon budget used to date is reported quarterly, a full breakdown and total emissions are only reported to the Net Zero, Environment and Transport Committee as part of the annual climate change report. There is therefore limited opportunity for assurance and scrutiny over progress in-year. In previous years, the required savings have been achieved, however it is currently anticipated the target for 2024/25 may not be met, however this cannot be confirmed until the report is published in November 2025. This risk has not yet been formally reported. The Service anticipates any shortfall will be negligible, and there are no specific plans to manage it within the current year. However, if the carbon budget is not met, there is a potential impact on deliverability of Net Zero by 2045, as it would indicate more action is required than is currently being delivered to maintain the steady reduction in emissions required to reach that point in the remaining time.
- **Carbon Budget Programme Management** – As part of its agenda the Climate Oversight Group reviews programme and project progress through updates provided on the Project Register/dashboard. Theme Leads are required to review and update data on the projects they are responsible for. However, supporting records are incomplete and provide insufficient assurance over progress and completion. If project details are not kept up to date, then the information that is being reported at the group may be incorrect or out of date, which could have an impact on projects being progressed or on delivery of carbon budget savings for the year. If data updates are not being prioritised, this could be indicative of project progress not being prioritised.
- **Carbon Budget Reporting** – There is a requirement to report progress to the Scottish Government as part of the annual Climate Change Report. This is presented to the NZET Committee for review and approval in advance of submission. However, gaps were identified in the published reports. There is a risk that either there is insufficient resource within the climate change team to review and complete the reports in detail, or that services are not providing the data within the required timescales. There is an increased risk of reputational damage if the Council is not being seen to be making clear plans and taking appropriate action.

Recommendations have been made to review and strengthen governance arrangements supporting delivery against the carbon budget; to ensure a balanced budget is being set with clarity over the extent and quantifiable impact of planned actions to meet the required savings; to review baselines where new requirements are added; to develop carbon budget monitoring so that it provides assurance and appropriate stimulus for action; to develop processes to ensure supporting data for project/programme management is maintained up to date; and to ensure reports are complete prior to publication.

It is acknowledged this is a developing area of work, and the central climate change team has limited available resource and is reliant on Functions/Clusters for provision of data and progress updates. However, as a corporate risk, and considering the Council's declared commitment to address the climate and nature emergency, Internal Audit considers that the recommended actions are more appropriately driven from the centre.

2.3 Identified Risks

Risk Level	Number of Risks Identified
Severe	-
Major	3
Moderate	2
Minor	0
Total	5

2.4 Management response

Officers do not agree with the Major Risk rating applied overall and make the case for there being Reasonable Assurance and a Moderate Risk overall.

There are no statutory or policy requirements to undertake carbon budgeting. The Council has put in place carbon budgeting and a monitoring cycle which has enabled improved tracking of carbon data from our Council assets and operations and supports the delivery of our Council Climate Change Plan and targets. National systems, tools, processing for carbon budgeting is an area developing in maturity. Reflecting this, carbon budgeting was introduced on a phased approach with a high level budget in 2022 and 2023, refining process to a more comprehensive carbon budget in 2024 and 2025. The iterative approach was to ensure a practical solution was introduced reflecting the complexity and availability of multiple data sets, building staff understanding and capacity and to develop a long term process in line with the emergence of external support, systems and evolving legislative requirements. These include the introduction of carbon budgets for Scotland, which will be measured over a 5 year period replacing annual and interim targets. To date, the Council has remained on track with the emissions targets it has set itself.

Staff Guidance and Governance

Reflecting commitment to targets and demonstrating leadership, Council governance processes have been strengthened with the introduction of an Energy Board with a purpose to consider internal and external factors to understand energy and carbon management issues and potential impact on the Council and city. The Board is chaired by a Director, with Board members at Chief Officer level. With the Board in place, corresponding updates to the Terms of Reference for the Climate Oversight Group are now in process. Carbon Budget guidance is in place and will be refreshed on an annual basis to reflect evolving legislation, requirements and systems. Work has taken place to integrate climate impacts and considerations into key decision making documentation, some of this is recently in place, including the addition of a section on operational carbon impacts on the Business Case template in April 2025, the effectiveness of this would need to be assessed to establish if there is a need to further strengthen process and guidance.

Carbon Budget Setting

Population of Council and City ClimateView data platforms is in progress. This will enable scenario modelling and will better inform and strengthen our carbon budget setting over the short, medium and long term; as well as the refresh of the current Council Climate Change Plan). Monitoring of consumption and carbon data is already in place and included in annual reporting. The Service agrees there would be value to documenting process and increasing visibility of information. Quantifying carbon savings and the extent of carbon savings can be a complex process involving multiple factors. Not all projects will deliver direct carbon savings. The Council has welcomed the developing support from Scottish Climate Intelligence Service (SCIS) for the design, management, deliver plans for area-wide emissions reduction; the provision of relevant climate planning tools and building capacity through training. Support is due to include standardised guidance and methodologies for Local Authorities on carbon quantification, with the timeline for publication not available at the time of this response. When available the Council will incorporate relevant process into future carbon budgeting setting. The establishment of such a central national service as this has long been advocated for by the Council and the Council is represented at Board level on the SCIS.

Carbon Budget Monitoring

The carbon budget is a strategic monitoring tool to inform planning and decision making on carbon related matters and work towards our net zero target of 2045. Implementing the carbon budget has accelerated data flows and improved data granularity, which in turn has enabled the Council to track, monitor and analyse provisional data for multiple key emission sources on a regular basis. This has allowed the production of quarterly summary provisional carbon budget reports which are helping to inform pace of progress and decarbonisation pathways.

Carbon budget monitoring requires collation of multiple data sources, analysis and calculation using annual UK emission factors. As such, a break-down of data by Service on a quarterly basis would be resource intensive, an impact on capacity for statutory reporting and is not feasible within the committee timeline at this point. It is also not clear that given the mitigations for the highest carbon emitters are capital investments, such as replacement vehicles and improved building envelopes, that more frequent data is going to give an insight not captured in the annual returns.

The Council recognises there may be short term fluctuations in emissions year on year due to a range of internal and external factors. Carbon budget monitoring has strengthened understanding of this and cumulative carbon monitoring for the plan period (2021-25) has taken place alongside annual targets. Overall, the Council is showing a reduction trend that reflects the trajectory to net zero by 2045.

Carbon Budget Programme Management

Reflecting ongoing improvement actions, the period of internal audit took place as improvement work was underway to transition to a single project source (encompassing relevant climate and capital projects). Alongside the transition to a climate data platform that will strengthen climate planning. These measures will enable improved oversight and management of carbon budget actions going forwards.

Carbon Budget Reporting

Although at this time there are no specific requirements for the public sector in relation to carbon budgeting, there is a requirement to report annual emissions to the Scottish Government within part 3 of the annual Climate Change Duties Report (CCR). Reporting must be done on a national template and dates for issue of the template can fluctuate. The Council will continue to populate the template as fully as possible, where it is reasonably practical to collate and verify, within the reporting timeframe. The work that took place to inform carbon budget setting for 25/26, alongside ongoing improvements to carbon budget monitoring processes is enabling additional information to be included in sections of the report template due to be presented to the Net Zero, Environment and Transport Committee in November 2025.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Major
1.1	<p>Staff Guidance and Governance – The Council set out a Climate Change Plan in 2021 and declared a climate emergency in 2023. The Carbon Budget supports delivery of this plan, with annual limits to deliver a reduction in emissions from 46,371 tCO₂e in 2015 to Net Zero by 2045, and key areas where reductions are required to deliver this outcome. Engagement and buy-in at a strategic and operational level is essential to identify and deliver relevant projects/interventions and behavioural changes across the Council. This requires strong leadership, governance, and clear processes.</p> <p>Carbon Budget guidance has been published, outlining key areas of focus, and an overview of the governance arrangements put in place for delivering the Council's climate duties. The role of the Climate Oversight Group includes developing guidance, planning, budgeting, data management, monitoring, quarterly updates, reports to the Net Zero, Environment and Transport Committee, and annual climate reporting. Review of minutes over the last year shows regular discussion, but a lack of data and limited reported progress in some areas (see 1.4 below). Frequent absences were noted from key members of the Group, and limited substitutes attending to provide or explain updates, and agree actions. This impacts negatively on the level of assurance provided to and by the Group. The Service advised changes in personnel and roles had an impact and plans to implement a new Energy Board (proposed in November 2024) had diverted resources. The Energy Board is not yet in place as at the time of reporting, and therefore this currently provides no further assurance. There is a risk that carbon budget and climate change is not being given sufficient priority by officers.</p> <p>The guidance defines roles including emissions group owners (clusters managing emissions-producing infrastructure/assets), group users (clusters using these assets), data stewards (identified officers within clusters supporting capture and collation of carbon monitoring data), and end-users (Managers and staff). However, the requirements and responsibilities are not set out in detail, and there is no 'carbon budget-holder' role or tasks. Without specific procedural requirements, there is a risk of varying interpretation, and essential tasks may not be prioritised, presenting a risk to the process and thereby achievement of the Council's carbon reduction goals.</p> <p>At the staff level, the main focus of guidance and training is on behavioural change to reduce energy demand. Whilst important, the anticipated impact of improving energy efficient behaviour has not been quantified and many planned savings are derived from infrastructure level changes.</p> <p>Carbon budget implications have also been added to the Council's risk assessment process, Integrated Impact Assessments (IIA's), service-standards/design/commissioning, and Project/Capital business case templates. However, the requirements are high-level, and there is no explicit requirement to quantify the anticipated tCO₂e impact. Templates indicate that in some cases this has been appended to, rather than integrated into, decision-making processes. For example: carbon impact is included in business cases, but only after options appraisals, procurement, and other key decisions have already been considered. Although there is a requirement to consult with the Climate and Environment Policy Service, there is a risk that at this stage it may be too late to have a meaningful impact.</p> <p>In summary, without management commitment, evidenced through regular attendance and contribution to meetings, and clarity over roles, responsibilities and processes, there is a risk that carbon budget management activity will not be prioritised. This presents risks to project</p>		

Ref	Description	Risk Rating	Major
	completion and delivery of required carbon emissions reductions within the Council's agreed timeframe.		
	IA Recommended Mitigating Actions		
	<p>The Council should review and strengthen governance arrangements supporting delivery against the carbon budget, including:</p> <ul style="list-style-type: none"> • Refresh of the role, terms of reference, membership and attendance requirements for the oversight group. • Specific guidance for key roles • Review of the business case process to embed carbon budget impact into option appraisals. • Review of other change documentation to require that they identify quantifiable carbon impacts, where applicable. 		
	Management Actions to Address Issues/Risks		
	<p><i>With several control actions in place and further actions in progress; as well as an improvement approach being taken to strengthening relevant documentation over time, as national methodology and systems emerge, officers do not consider this to be a major risk at this time.</i></p> <p>a) Agree. With an Energy Board established, corresponding updates to the Terms of Reference for the Climate Oversight Group are in process.</p> <p>b) The carbon budget guidance will be updated for the 2026/27 carbon budget; additional guidance will be considered as part of the update. Guidance will continue to be updated as systems mature.</p> <p>c) The Council will review information populated on the operational carbon impacts section of the Business Case template, subject to the outcomes of this, will assess options to strengthen process and guidance.</p> <p>d) A range of control actions are in place and in progress and establishing. The Council will review other relevant change documentation, where identified, to assess the feasibility of identifying quantifiable carbon impacts.</p>		
	Risk Agreed	Person(s)	Due Date
	No	N/A	N/A

Ref	Description	Risk Rating	Major
1.2	<p>Carbon Budget Setting – There is no written carbon budget setting process. An annual limit for each financial year is set by reference to the reduction required to remain on track to deliver the Net Zero target by 2045. The budget is split into key categories e.g. buildings, fleet, street lighting, travel, waste, and water. Each category has been analysed into different scopes and sources, and the pressures and potential savings areas within these categories have been listed. For 2025/26 this was further analysed into indicative Function/Cluster targets for the current year.</p> <p>Without a defined process, clear requirements and management buy-in, there is a risk that a balanced carbon budget will not be set in advance of each new financial year. This risk has been realised; the 2025/26 carbon budget was not balanced at the point it was set. The budget set out that a reduction of 1,956 tCO₂e was required, but only 1,169 (60%) tCO₂e potential savings had been identified. As noted at 1.1 above, although carbon budget</p>		

Ref	Description	Risk Rating	Major
	<p>implications are being requested as part of service and project planning documentation, these do not explicitly quantify anticipated carbon impacts. As part of agreeing the carbon budget, Council agreed to instruct the Chief Officer – Strategic Place Planning to liaise with relevant chief officers on any realignment required as a result of internal or external changes, and to instruct the Chief Officer – Capital to include information on the carbon impact when putting forward new projects. However, there is currently no process to collate data from e.g. IIA's and business cases, financial budgeting, and service commissioning/design, into the carbon budget. Delivery against the budget may be at risk if there was insufficient data supporting estimates at the point it was set.</p> <p>Carbon emissions are calculated using UK Government annual Greenhouse Gas (GHG) reporting conversion factors, applied to data, including utility and fuel consumption. These factors are not available for each calendar year until after the carbon budget is set. It is therefore not possible to determine the outcome for each year until after the next carbon budget is set, which may impact on the accuracy of planning assumptions.</p> <p>All targets are measured in tCO2e. The Council has not set limits on e.g. the amount of energy or fuel used, or miles driven, either in total or for each cluster. There is a risk this makes the goal less tangible, reducing focus on delivering against it. There is a risk of reliance, or placing the blame, on changes in emissions factors, which could divert attention from the delivery of planned changes which will drive future emissions and results. More understandable targets using fixed unit or volume measures, such as kWh, miles or gallons, would simplify planning and monitoring, and allow for more effective distinction between changes in activity, which can be managed internally, and changes in unit value, which cannot. In simple terms, the carbon 'price' may change due to external factors, but the volume is generally more controllable.</p> <p>Revised national guidance has brought further emissions sources and categories into scope since the carbon budget was first set in 2023, including e.g. district heating and home working. The Council has added these to 'carbon expenditure', but as they were not included in the baseline, this adds to the overall pressure on the carbon budget. GHG Protocol guidance allows for revisions to the baseline where there have been changes to the method of calculation, where there is no 'new' emissions generating activity, subject to the Council determining appropriate thresholds (e.g. a value or percentage allowed before making a change) and transparency in reporting the change in policy. There is a risk that not including these in the baseline impacts on confidence in achieving the carbon budget.</p>		
IA Recommended Mitigating Actions			
<p>The Service should document the carbon budget setting process.</p> <p>The Service should ensure a balanced carbon budget is set, which includes sufficient clarity over the extent and quantifiable impact of planned action calculated to meet the required level of savings.</p> <p>The Service should consider disaggregating 'price' and volume in the carbon budget to drive activity changes.</p> <p>The Service should determine and apply a policy on thresholds for updating carbon budget baselines.</p>			
Management Actions to Address Issues/Risks			
<p><i>a) The Service agrees there would be value to collating documentation and will formally set out the carbon budget process.</i></p> <p><i>b) The Service will continue population of the ClimateView data platform, subject to data availability, to inform carbon budget setting on the impact of planned action.</i></p>			

Ref	Description	Risk Rating	Major
	<i>c)The service will increase visibility of consumption data through relevant communication channels and examine options to integrate this into the future carbon budget processes.</i> <i>d) The Service will incorporate information on re-baselining into the documented budget setting process 1.2a.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Team Leader – Climate & Sustainability Policy	a) March 2026 b) March 2026 c) April 2026 d) March 2026

Ref	Description	Risk Rating	Major
1.3	<p>Carbon Budget Monitoring – Effective budget monitoring requires complete, accurate and timely data to support effective planning and action. However, carbon budget monitoring data has inherent time-lags, and 'price' variability after the 'cost' has been incurred/emissions produced. It is also not being reported regularly in detail.</p> <p>The key risk areas in this respect for the Council are led by:</p> <ul style="list-style-type: none"> Activity/volume data is not immediately available, even though it is being collected on internal systems for financial budget monitoring purposes. <ul style="list-style-type: none"> Energy management data is partially reliant on manual readings and may vary due to provider estimates of usage. Fuel, Travel and Staffing data is collated only periodically and needs to be analysed by relevant clusters before sharing with the climate team. There are no 'volume' targets for individual services or activities, which result in emissions. Targets are based on tCO₂e rather than kWh, miles or gallons. It is not straightforward for group emissions owners, or end user services to monitor their tCO₂e and associated changes. Impact is not always recorded/attributed at a level which would allow 'users' to be held to account. Once received, in varying formats, data must be analysed and estimates of conversion factors applied to calculate the estimated tCO₂e impact. The combined impact is outwith the control of clusters/functions producing the emissions / reporting their activity. The actual conversion factors are not determined until after the end of the financial year to which they relate, by which time it is too late to apply in-year mitigations. <p>Quarterly performance data provided to the Net Zero, Environment and Transport (NZET) Committee includes the overall proportion of the carbon budget utilised within the year to date, and an indication of the anticipated reductions or increases for selected emission sources. A full breakdown and total emissions are only reported as part of the annual climate change report, although additional updates are produced for CMT and Strategy Board on request. There is therefore limited opportunity for assurance and scrutiny over progress in-year.</p> <p>Functions and clusters are not currently held to account for meeting their indicative allocation of the carbon budget, and to date there has been no reporting of actual emissions by function/cluster against these allocations. Currently, at the start of the year, there is a breakdown of the total carbon budget for each function/cluster, however there is no indication of the level of savings this requires each to deliver, and no subsequent monitoring of these</p>		

Ref	Description	Risk Rating	Major
	<p>figures against actual savings throughout the year. Budgets may also be moved or offset, without a formal, transparent, documented virement/approval process. Except for progress with specific projects (which is not well evidenced: see 1.4 below), there is no opportunity to review progress, and to identify and mitigate variances at a function/cluster level. The Service advised there is insufficient resource to prioritise monitoring activity. Without clear ownership and reporting, there may be less incentive for services to prioritise delivery of carbon budget savings.</p> <p>The Service has started using the ClimateView system, with the aim that this will be used going forward to track and monitor emissions throughout the year, and aid in reporting. Reports to the Climate Oversight Group indicate that fully populating the system with historical data has taken some time. However, there is no indication of when it is planned that the system will go live and be used as a part of the process for current emissions, and whether it can be maintained up to date. If other systems can be integrated with ClimateView, this would aid in streamlining the process by reducing the amount of staff time involved in manually processing the data from system to system. Closer to live data would aid services in monitoring progress. PowerBI reports are currently being developed for internal reporting. If this can be used by group emissions owners and end user services to track their progress, it could inform and encourage appropriate action to mitigate potential variances throughout the year. However, this would require development beyond what is currently reported at a corporate level.</p> <p>Savings targets are set each year, with gradual increases in the amount of savings required, in order to achieve the goal of net zero in 2045. In previous years, the required savings have been achieved, however it is currently anticipated the target for 2024/25 may not be met, however this cannot be confirmed until the report is published in November 2025. This risk has not yet been formally reported. The Service anticipates any shortfall will be negligible, and there are no specific plans to manage it within the current year. If the carbon budget is not met, there is a potential impact on deliverability of Net Zero by 2045, as it would indicate more action is required than is currently being delivered to maintain the steady reduction in emissions required to reach that point in the remaining time.</p>		
	IA Recommended Mitigating Actions		
	<p>The Service should develop carbon budget monitoring so that data is available to services delivering against the budget, and those charged with governance (e.g. NZET Committee), on a sufficiently timely and detailed basis to provide assurance and to support action to address any identified risks to delivery.</p>		
	Management Actions to Address Issues/Risks		
	<p><i>The Service produces quarterly provisional carbon budget updates and will ensure future updates are accessible to Services.</i></p> <p><i>The Council will continue developing a PowerBi to give Services greater visibility to annual data.</i></p> <p><i>Further data enhancements will take place as part of medium term improvements, where these are feasible.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Team Leader – Climate & Sustainability Policy	March 2026

Ref	Description	Risk Rating	Moderate						
1.4	<p>Carbon Budget Programme Management –The Council has recognised as part of the carbon budget that there needs to be transformational change to meet the medium/longer term reductions required to meet its Net Zero ambitions. Council-specific and wider area projects were captured in the Climate Change Plan 2021-2025.</p> <p>Multiple records are available, and these have been maintained in various stages of development and completion. There is a Climate Change Plan Delivery Programme and Dashboard, a Project Register and Dashboard, and an Issues and Risks Log. Although it is acknowledged this is a developing area of activity, a lack of consistency, or multiple reporting requirements, could impact on the available resource for monitoring and reporting progress, and weaken efforts to drive targeted action.</p> <p>The Climate Oversight Group meets quarterly, and as part of its agenda reviews programme and project progress through updates provided on the Project Register/Dashboard. Theme Leads are required to review and update data on the projects they are responsible for. Most updates on the Group agenda simply state ‘see dashboard’ or ‘no update’.</p> <p>Review of the supporting data highlighted missing details, including when projects started, completed, status, progress made since the last update, next steps, and any issues that have arisen. In the July 2025 update, seven of 102 projects had an ‘unknown’ status, nine had no planned/actual end date recorded, and 15 were not recorded as complete but had passed their end date. 30 were ‘in progress’ and 23 ‘ongoing’. Comments appended to the register, where provided, did not provide sufficient detail to provide assurance over progress or completion of tasks. These findings were mirrored in the other dashboards/supporting records. Whilst the Issues and Risks log encourages and includes additional commentary on progress and planned action, there are similar gaps.</p> <p>If project details are not complete and up to date, then the information that is being reported at the group may be incorrect or out of date, which could have an impact on projects being progressed or anticipated carbon budget savings for the year. If data updates are not being prioritised, this could be indicative of project progress not being prioritised.</p> <p>IA Recommended Mitigating Actions</p> <p>The Service should maintain a single source of data for project/programme management. The data should be kept up to date, with progress, explanations for any delays, and plans for their mitigation, by responsible officers. Processes should be in place to ensure missing data and progress issues are escalated as appropriate.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Work to consolidate dashboards producing a single source of data and projects visible to the strengthened governance, including the Energy Board is in progress. This is being used to populate the ClimateView platforms and support agile tracking and updates going forwards.</i></p> <table><tr><th>Risk Agreed</th><th>Person(s)</th><th>Due Date</th></tr><tr><td>Yes</td><td>Senior Climate Change Officer</td><td>March 2026</td></tr></table>	Risk Agreed	Person(s)	Due Date	Yes	Senior Climate Change Officer	March 2026		
Risk Agreed	Person(s)	Due Date							
Yes	Senior Climate Change Officer	March 2026							

Ref	Description	Risk Rating	Moderate
1.5	<p>Carbon Budget Reporting – There is a requirement to report progress to the Scottish Government as part of the annual Climate Change Report. This is presented to the NZET Committee for review and approval in advance of submission.</p>		

Ref	Description	Risk Rating	Moderate
	<p>Although the report is produced in November each year, i.e. after the carbon budget was set and data on conversion factors should have been available, gaps were identified in the data included within each of the last two annual reports. The majority of actual and estimated savings from projects and actions to reduce emissions, energy reduction targets, and figures for PV generation were blank or 'TBC'. This was mirrored in reports from the Council published on the Sustainable Scotland Network website, where sections were also incomplete, to be confirmed. In a smaller number of sections, it was noted they had not been completed due to lack of available data.</p> <p>Incomplete reports indicate either a lack of available data, or an insufficient review process to identify and address gaps prior to publication. Whilst it is acknowledged this is a developing area of work, and there will be gaps in data and knowledge, this is not always being declared and explained. There is a risk that either there is insufficient resource within the climate change team to review and complete the reports in detail, or that services are not providing the data within the required timescales. Climate change is high-profile, and the Council has declared a climate emergency – there is therefore an increased risk of reputational damage if it is not being seen to be making clear plans and taking appropriate action.</p>		
	IA Recommended Mitigating Actions		
	The Service should ensure annual climate change report data is complete, where reasonably practical, before requesting its approval and subsequent submission to the Scottish Government.		
	Management Actions to Address Issues/Risks		
	<i>Information has been populated in all sections and for all questions in the Climate Change Duties report template to be presented to the Net Zero, Environment and Transport Committee in November, Within annual reporting gaps may remain depending on data availability and verification.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Senior Climate Change Officer	November 2025

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the function level and the potential to impact across a range of clusters. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Chief Officers.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

Section 44, of the Climate Change (Scotland) Act 2009 (“the 2009 Act”) requires the Council, in its exercising functions, to act:

- In the best way calculated to contribute to the delivery of the targets set in or under Part 1 of the 2009 Act. The 2009 Act states that the net-zero emissions target year is 2045.
- In the way best calculated to help deliver any programme laid before the Scottish Parliament under section 53 of the 2009 Act; this is the Scottish National Adaptation Plan; and
- In a way that it considers is most sustainable.

Under the Climate Change (Duties of Public Bodies: Reporting Requirements)(Scotland) Order 2015 the Council must include narrative in annual Climate Change Reports on how it will align its spending plans and use of resources to contribute to reducing emissions. In addition, public sector bodies should report the date by which they intend to achieve zero direct emissions and set targets for influence on reducing indirect emissions.

The carbon budget supports delivery of the Council Climate Change Plan. It sets the maximum tonnes of carbon dioxide equivalent (tCO₂e) against a set reporting boundary that the Council can emit in a given period, to keep on track with our own emission reduction targets, set in the Council Climate Change Plan, these are net zero target by 2045; and an interim target of 75% reduction by 2030.

The carbon budget indicates an emission reduction pathway informed by historic emissions data, annual emission factors, estimated carbon savings from known projects and considers factors that may place pressure on the carbon budget, where information is available.

Emissions are classed under the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard as:

- Scope 1: direct emissions i.e. from use of gas heating, diesel in fleet.
- Scope 2: emissions from electricity and purchased heat and steam.
- Scope 3: indirect emissions, from activities related to external processes.

An annual carbon budget monitoring cycle is in place, this includes:

- Monthly updates to the officer Climate Oversight Group.
- Quarterly updates to Net Zero, Environment & Transport (NZET) Committee, through the Performance Report.
- Annual carbon data reported to NZET Committee, as part of the Council Climate Change Report before submission to Scottish Government.
- Annual carbon budget setting at Council.

5.2 Rationale for review

The objective of this audit is to ensure that appropriate arrangements are in place regarding carbon budget setting, monitoring and reporting. This area has not been audited previously.

Key risk areas include:

- Engagement and buy-in at a strategic and operational level to identify and deliver relevant projects/interventions and behavioural changes across the Council.
- Programme and project management.
- Availability of complete, accurate and timely data to support effective planning, monitoring and action.
- Set requirements to report progress annually to the Scottish Government.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Staff Guidance and Governance
- Carbon Budget Setting & Principles
- Carbon Budget Monitoring
- Carbon Budget Forecasting, Reporting and Action

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

This review will also encompass an evaluation of the governance, risk management and controls in place to detect, prevent, and mitigate instances of fraud. Considerations will also be given to ensure the achievement of Best Value across operations.

Due to hybrid working practices, this review will primarily be undertaken remotely via electronic meetings and direct access to systems and data, with face to face contact and site visits to premises to obtain and review further records as appropriate.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Rachel Brand, Auditor (**audit lead**)
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across the Council are:

- Gale Beattie, Executive Director – City Regeneration and Environment
- Alison Leslie, Team Leader – Climate and Sustainability Policy (**process owner**)
- Sinclair Laing, Climate and Environment Policy Manager

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	28-May-25

Milestone	Planned date
Scope agreed	06-Jun-25
Fieldwork commences	09-Jun-25
Fieldwork completed	11-Jul-25
Draft report issued	01-Aug-25
Process owner response	22-Aug-25
Director response	29-Aug-25
Final report issued	05-Sep-25