HOUSE OF COMMONS

Environmental Audit Committee

Oral evidence: Mapping the path to net zero, HC 497

Thursday 21 October 2021

Ordered by the House of Commons to be published on 21 October 2021.

Watch the meeting

Members present: Philip Dunne (Chair); Mr Robert Goodwill; Helen Hayes; Caroline Lucas; Cherilyn Mackrory; Dr Matthew Offord.

Questions 195 - 217

Witnesses

I: Alan Simpson, independent climate adviser; and Karen Sanderson, Director, Public Financial Management, Chartered Institute of Public Finance and Accountancy.

Written evidence from witnesses:

– Alan Simpson

Examination of witnesses

Witnesses: Alan Simpson and Karen Sanderson.

Q195 **Chair:** Good morning and welcome to the Environmental Audit Committee for our third and final oral evidence hearing in our inquiry into local government and net zero. We are very pleased to be joined today on our panel by a former member of this parish, Alan Simpson, who was an MP when I first arrived in the House and was the Member for Nottingham South, I think. Could you explain the role that you have at the moment in relation to this inquiry?

Alan Simpson: After leaving Parliament, I ended up as the adviser to the shadow Chancellor on sustainable economics. Since then, I have also worked nationally and internationally on the mechanisms of moving into more circular net zero economics.

Chair: Welcome also to Karen Sanderson, who is the director of public financial management at the Chartered Institute of Public Finance and Accountancy. Karen, could you explain your interest in this area?

Karen Sanderson: CIPFA recently carried out some international research looking at sustainability reporting across the globe. We wanted to create an evidence base to look at what was happening in the public sector globally. I am hoping to contribute that to the session today.

Chair: You are formerly a Treasury official engaged in whole of government accounting?

Karen Sanderson: That is correct, yes, in a previous life.

Q196 **Chair:** Thank you. Alan, I was very struck by the written evidence that you submitted to the Committee, and we will be talking during the session about some of your experiences in other countries. Could you set the scene for us a little bit from your perspective on how you think the general approach of allocation of resource from central to regional and local government in this country helps or hinders the focus on the net zero ambition of the nation as a whole?

Alan Simpson: Can I begin on a personal note? I want to register my own sense of sadness about the death of David Amess. I worked with him for the best part of 10 years in the parliamentary warm homes group and I was struck by the warmth, the kindness, the commitment and the humour that he brought to the way we were addressing fuel poverty. For most of the time he was in real danger of giving MPs a good name. His death is senseless and tragic, and I miss him greatly. I just wanted to register that.

Chair: Thank you very much for that.

Alan Simpson: What struck me from the NAO reports that you had was that just before the last general election, I had organised a briefing for

MPs in this place from some of those involved in technology processes that we are going to need to incorporate in the way we work, and their strongest message was that the UK cannot deliver its net zero targets unless local governments deliver net zero targets. Local government cannot deliver net zero targets unless they have additional resources, powers, competences and duties. It requires a fundamental shift and a new democratic settlement, which will be a challenge to central government but also to local government, because it, in turn, will require a new democratic settlement with its own communities. Even the best local authorities have become quite inward-looking in only taking on what they can control. If we are to address net zero, we have to take the public with us in ways that communities are hungry to be a part of, but at the moment clearly do not feel that they are an included part. That is the biggest challenge.

The second is that as much as I admire the work of some of the best local authorities—particularly those in the UK100—the truth of the matter is that all of them are struggling to do less damage than good. An example that I would offer is that if, for instance, the Government were to determine that their commitments to the new heat pump installations were put through local authorities, you would still only have about 30,000 installations per year. At the same time, we currently have 1.7 million gas boiler replacements. Local authorities do not have the powers in the new developments even to insist, in the way that they do in Germany or in Denmark, that all new developments are off the gas grid.

We are in danger of consigning large numbers of localities to huge accumulations of inherited problems that will cascade on us over this decade and will make matters much worse unless we try to incorporate many of the powers and duties, and the notion of living within fixed or reducing carbon budgets, that you can find elsewhere in Europe.

Q197 **Caroline Lucas:** Thank you so much for being here. Picking up what you were saying there about the powers that some other countries have—for example, for their local authorities to compel all new developments to be closer to zero carbon—could you say a bit more about what prevents the kinds of innovations that we are seeing in other European countries, whether that is to do with housing, transport, circular economy policies or energy? What prevents such innovations being introduced by local authorities here, and what can we learn from what is going on elsewhere?

Alan Simpson: The first is that we have probably the most centralised approach to governance in the whole of Europe, and we do not do this as a partnership. I was struck that one of the drivers of change in Denmark was that their Government simply said to the construction sector, "You are not going to get planning permission for any new building that is connected to the gas grid as of now". The construction sector said, "We can't do it, we have to do that," and the Government said, "Don't worry, we will ask the Germans". The construction sector said, "Give us a couple of months," and lo and behold they came back with a whole raft of ideas

for how to deliver new buildings that are not connected to the gas grid. That had very direct intervention measures driven from central government, but which also percolate through to every planning application that is considered in every part of the locality.

In Germany, they did similar things where national government set the policy but it was then to be determined by localities as to how they met their own most appropriate way of shifting into clean energy systems. In the south of Germany it was largely solar and energy swaps with Austria; surplus solar energy going into Austria during the day and hydro coming back to meet the shortfall of an evening. In the north it was wind and the connections to Denmark. In a sense, you had national determination and local delivery and inclusion around "What works best for us here?" That is what we do not have. We do not have those partnerships, we do not have the now-ness of the change and we do not have the scope for leadership in ways that we desperately need.

Q198 **Caroline Lucas:** What you have outlined is quite a big shift in where power lies, and so forth, between local and national government. Knowing this place, where would you start? If we are making our recommendations, is there something specific to begin with that we could focus on, in terms of a slightly more discrete ask to national government about what powers local government should be able to have in this space?

Alan Simpson: I would begin with duties. One of the things that struck me when we had the climate physicists in here was that they were saying that politicians need to understand that climate is in the driving seat. Physics is in the driving seat, not politics. Everything is going to have to revolve around living within annual and annually reducing carbon budgets. It is not the end of economics; it is just a different economics. That has to be the framework set at the centre and to be determined and delivered at the local level.

There are myriad ways of doing that. I think your own local authority is brilliant in the way in which it has put in food obligations as part of the planning conditions that all new development applications have to address—local food spaces. If planning powers can incorporate annual carbon budgeting and the net zero targets on an annualised basis, I think we will see lots of scope for localities like your own to connect to more localised and more regionalised food systems that have the effect of delivering both food security and food accountability, and radical reductions in food and carbon miles.

There are lots of big pluses if we just grasp the need to do things differently. The flip side of that is that if we do not, we are going to saddle local authorities with an impossible task in which they stand more chance of finding Narnia than net zero.

Q199 **Caroline Lucas:** Very briefly—well, it is not very brief, because it is quite a big question, but please answer it as briefly as you can—we have had

two or three documents this week: the net zero strategy, the heat and building strategy and so forth. I appreciate that you will not have had time to read them all, but have you seen anything in them that gives you any hope as to whether or not this agenda is being picked up?

Alan Simpson: Philip's comments in one of your Committee's earlier press segments picked up that virtue signalling is important. Policy shifts are important, but the urgency of delivery mechanisms is what is currently dreadfully missing in the UK and global agenda. In a way, I think we need to heed what the Environment Agency said in its "adapt or die" documentation, which was that wild weather is here and now, and it is not going away, so we need new policies that allow localities and central government to learn how to dance with nature rather than stomping all over it.

Chair: Karen, we are going to come to you now, with a question posed by Robert Goodwill.

Q200 **Mr Robert Goodwill:** Good morning. I suppose you can only assess progress if you can measure it, and if you can measure it in a consistent way between different local authorities. Karen, what do you think are the most important features of the National Audit Office report to local authorities on net zero in terms of their reporting on net zero and sustainability?

Karen Sanderson: I can perhaps draw out a couple of points on that and how it aligns with the research that we produce. The first of those is around consistency. The NAO said in its report that there was little consistency so it was impossible to get an overall sense of what was being achieved, and different approaches were being taken. That aligns very much with the findings that we have through our international research, where we found that less than half of the people who took part in our research were doing any form of sustainability reporting at all. Those that were doing it were using one of 12 different frameworks that we identified and they were not all using the same one, there were differences.

Q201 **Mr Robert Goodwill:** Is that down to the granularity of our local government structures compared to Germany, for example, where they have Länder, which could be more appropriately compared to Scotland and Wales? Is it because we have lots of small local authorities?

Karen Sanderson: Yes. Indeed, some of the people who responded to our survey were from smaller local authorities. The point in the research was that of those who were doing reporting, two-thirds of them were using an established framework, but not all the same one. A third were doing their own thing in terms of the frameworks they were following. What we are seeing internationally is that there is little consistency in the reporting framework that is being used. That is a global picture, so it is hardly surprising to us that we see the same finding in the NAO report around what is happening in local government.

Q202 **Mr Robert Goodwill:** Is that a job for central government, or do you think local government should come together, maybe through the LGA, to try to calibrate their own reporting systems themselves?

Karen Sanderson: My view on this is both. I think that it is good for local authorities to have a view about what they think is appropriate, but I do think that if we are to understand as a country the progress that we are making, there needs to be a framework that can be applied across UK plc to understand the progress that is being made.

Q203 **Mr Robert Goodwill:** Has that work started in central government, or is it something where we need to get our running spikes on to get this thing sorted out?

Karen Sanderson: Central government already reports through the greening initiatives, and that has been in place for some time. Further expansion of that needs to happen, with that expanded into local authorities as well. I think that central government and local authorities need to come together. That was one of the recommendations from the NAO as well, about convening a workshop or some form of gathering central and local government together to look at what might be appropriate in terms of simple standards that can be followed across the whole country.

Mr Robert Goodwill: That was concise and helpful. Thank you.

Q204 **Cherilyn Mackrory:** It is nice to meet you both. We are going to talk a little bit about local authority net zero responsibilities. Alan, I am going to give you a quote that you gave us. You called for a co-ordinated change in systems thinking to deliver the annual 10% carbon reduction in transport emissions that Britain requires. Could you expand on what change you have in mind for that? Could you give specific examples of local authorities overseas where you have seen good practice on this?

Alan Simpson: Either Germany or Denmark are good examples in this. When I have been around Germany, there are loads of German towns and villages that are now generating something like five times the amount of clean electricity that they require. They then have more regionalised hubs for sharing and storing. That whole process works on the notion of localised responsibilities for the delivery of clean energy but more collectivised approaches to the security of storing and sharing. This appears to be completely across party lines. The structures and the mechanisms differ slightly, but the processes are pretty much the same.

In Denmark, it works on the basis that you have three municipal energy companies and almost 70 co-operative groupings of localities, all of which are charged with delivering combined heat and power security for their areas. They are allowed to share, and this is one of the things that is desperately missing in the UK framework. I generate more clean electricity from my house than I use. I could give it to one of my neighbours. If I gave it to two, I would be a criminal, because I have no

right of local supply and I do not have £3 million to buy a full supplier's licence.

Across other parts of Europe those notions of smart grids and localised energy systems that do the self-balancing and sharing are commonplace. They are now moving into the space of saying, "Okay, how can we use the sharing to power the charging networks for EVs and/or tram systems?" In a sense, that is the catch-up example.

Q205 **Cherilyn Mackrory:** So you are saying that that is much more mature in those areas. How long did it take to step that up? If we were to start now, would that happen fairly quickly, do you think?

Alan Simpson: Now it can be done really quickly, because we can build on other people's learning curves. I think it will take a five-year term to race that into completion. This is the systemic approach to changes in our thinking. In Nottingham we have the tram. I love it. I am a great fan and a user of the tram, but the developers were a bit mealy-mouthed when they opened it. I could not get them to be enthusiastic. I said, "Where is the enthusiasm?" and they said, "Just understand that in the time it took us to get permission to build line one in Nottingham, we have built a whole city network in Porto, and Karlsruhe has done the same. You need to allow us to plan for systems that allow people to move in a low carbon way rather than in fragments". That is the challenge to all of us: can we shift into that systems thinking?

Q206 **Cherilyn Mackrory:** On that, what kind of devolution package would that take? What else would be needed to implement that to local authorities in the UK? Conversely, what impact do you think that would that have on the current powers of the Secretary of State for Transport in that area?

Alan Simpson: There would need to be devolved planning powers that, for me, would follow from the duty to have annual carbon budgets and net zero obligations at the core of all planning decisions.

How would that follow through in terms of responsibilities? That is an interesting one. The lessons that we might want to draw on are from our own history. Just over 200 years ago Britain led the world in urban energy systems and utility systems—1816 I think was the first one, through to the 1880s. We provided urban networks for gas, water and electricity, all of which were financed through local government bonds. Parliament did not catch up with that until the 1850s. These were able to be self-financed, locally financed, using the municipal bond system that you now see in Scandinavia and large parts of northern Europe. The mechanisms are there for us to pinch; we just lack the obligation and the leadership.

Q207 **Cherilyn Mackrory:** Turning to zero-condition building and retrofitting properties—I guess it is the same conversation—is there a requirement for local authorities to have greater planning powers on that, and what

role ought local authorities to be playing to increase the sustainability of the built environment?

Alan Simpson: This is really important because the vast majority of people in the UK, within the framework in which we have to meet net zero, will be living in the housing that we already have. Saving energy is the low-hanging fruit that will deliver carbon savings, skills and employment. We need to give local authorities the powers and the duties to drive that. That is where the embodied carbon is currently sitting.

There are interesting conversations in other parts of Europe about how far the private sector can be cajoled, compelled or encouraged. In Germany they have used the KfW Development Bank to underwrite the zero interest loans for that refurbishment and to streamline the process. Their high street banks have to deliver loan approvals within a single meeting in the bank once you have your permission to develop. This is a world away from the tortuous bureaucracies we have in the UK, and if we can pinch some of those lessons from the private sector it would accelerate the process of driving change.

Q208 **Cherilyn Mackrory:** We heard yesterday about new builds and the embodied carbon lifespan of what it takes to do that in new builds. Where I live in Cornwall, they do not want to build any new builds because it is too pretty, so we have a lot of old housing stock that it is very difficult to retrofit. What role do you think could Cornwall Council play, or what extra responsibilities should Cornwall Council have to try to ensure that their existing housing stock is net zero?

Alan Simpson: The obligation that they would have would follow my suggestion that we all need to be operating within reducing annual carbon budgets so that the intervention obligations are clear to the local authorities. Cornwall is blessed in the sense that you have a plethora of renewable energy resources, but they need to be part of systemic planning in ways that we still fall a long way short of. I have a great sense of sadness because of this. I look at the Netherlands, there is a wonderful example in the town of Heerlen where they realised that they had disused mines with flooded galleries and hot water filling them permanently. They have drilled down, pumped the water up to the surface and used heat pumps, and they now use that as free heat for a town-based heating system. We have 25,000 disused mines in Britain, and one in four of the population live within ducting distance of supply, but we need a plan and a mandate to do it. I think that Cornwall could really race ahead.

Cherilyn Mackrory: I was going to say we could go on to talk about that, but we will not. I will hand back to the Chair.

Q209 **Chair:** Can I pursue that for a second? Of the 25,000 disused mines, how many of them are flooded, do you think?

Alan Simpson: All of them.

Q210 **Chair:** Is there anybody looking at this as a potential business opportunity?

Alan Simpson: Yes, there are two or three pilot schemes in the country at the moment, one in the north of Nottingham. We are paddling in that process, and we have not picked up the strategic urgencies that you find in the Dutch approach. When we are blessed with such an abundance of resources that are sitting there, we do not have to invent new sources of renewable heat; we are sitting on them.

Caroline Lucas: It would do a lot for the levelling up agenda as well, given that lots of those mines are going to be in places where there has been a manufacturing—

Chair: Not in the south-east of England.

Alan Simpson: Absolutely. If you are looking at the just transition and the skills, this is crying out for us to pick it up and run with it, and give it to the kids. In the training colleges around Europe, that is the other thing you notice. There is a hunger and an enthusiasm among young people on the training courses because they want to be part of the answer, not the problem.

Q211 **Helen Hayes:** I have two short questions. My first is to Karen Sanderson. What role can local authority sustainability reporting play in demonstrating to the public that local authorities are making genuine progress on net zero? It is a question about transparency, reliability and confidence in reporting.

Karen Sanderson: I think it is absolutely critical. As I said before, if we cannot measure it, we cannot see the progress and we do not know what outcomes are being achieved. Despite my previous answer where I said that I think that having a single national framework is the right thing to do, the best thing that any organisation can do is start to report and start to look at what it can demonstrate it is achieving to the citizens in its local authority area or elsewhere.

In the research that we did, we found that there were barriers to doing that. Data is a big barrier to doing it. Political support for doing it is not always there, and then there is a lack of a single harmonised framework so that people know what they are reporting against. We had a case study in the report of Herning in Denmark, which started this journey back in 2012. They started voluntarily reporting things to their local citizens, trying to be transparent about what they are doing. That has great traction now, where there is a more single approach in Denmark.

Doing something, taking that leap of faith and starting to be transparent and report on things, even if it is not quite the right thing or the data is not what you want it to be, is absolutely the right thing to do.

Q212 **Helen Hayes:** In relation to local authority reporting, would your advice to local authorities be to report in relation to net zero on the things that

they are directly responsible for—their own estate, their own vehicles, their own policies as far as roads are concerned, their own WEEE waste; that whole suite of things that is directly within the control of local authorities—or would you advocate for more borough or district-wide reporting that encompasses all of the things that other people are responsible for as well? There is a real issue around public perception about what local authorities can control versus what local authorities can actually control. If you get the reporting wrong or you overclaim or overpromise, or underclaim and only focus on your own buildings or what have you, there is quite a big risk in terms of public confidence in that.

Karen Sanderson: You need to start with local accountability. Local authorities should start with the things that they have direct control over and that they can influence, but they should also be looking at how they contribute to what other local authorities are doing as well. I think that is part of the whole story. Government operates at two levels. It is a carbon emitter itself in terms of the estate that it looks after, but it is also a regulator. It defines the policies that others need to follow, so it also needs to report at both of those levels on what it is doing to influence things in its own community. It is not just the physical infrastructure but other things, too.

Q213 **Helen Hayes:** That is really helpful. My next question is to Alan. You have touched a little bit already on the question of how local authorities need to connect with the public and bring people with them on this rapid journey towards net zero. How important is it that local authorities do that job of connection with the public to help them deliver the changes that are required? Can you perhaps give us one or two examples of approaches that work in that regard?

Alan Simpson: We are not going to get there unless there is that partnership. One of the things that amused me is this. The annex to my evidence submission is a proposal that came from some of the community groups about planning applications, which are horrendously complex. What we tried to do was to simplify the questions that the public would find relevant to the net zero agenda. We have produced this simple, two-sider set of questions, which come down to the question: in what way will this development proposal contribute to the locality net zero commitments? The councillors were keen on this, and they said, "Oh, yes". Planning officers were appalled, and they said, "You can't use this because the developers would all go away, and no one would do it". They are right. There is a cavalry charge at the moment from developers wanting to build crap buildings, which are the gas-guzzling equivalents for the built environment that local authorities are going to have to retrofit within the decade. This is not what local authorities want and it is not what local communities want, but they feel powerless even to ask those questions.

The second one is about the food supply initiatives that Caroline's area around Brighton exemplifies. Across Europe there are a whole raft of initiatives where urban food production is part of the strategy to radically

reduce food miles. We have some wonderful examples. London is growing food in a bunker. Edinburgh is going to have 40 hydroponic food-growing systems. Montreal is growing food on the rooftops of buildings through the depths of winter. For the UK, this goes back to the fact that in the second world war we were producing six times as much food per acre from within our towns and cities as from the countryside. You have addressed all of your local issues about food poverty and social inclusion and immediately you have a coalescence of co-operation in changing the way we think about food supply, food accountability and nutritional inclusion. The solutions are within our reach as never before. We just lack leadership.

Q214 **Chair:** Can I pick up on one of the comments that I think you made, Alan, but address it to Karen? The Government at the moment seem to be allocating funds for some of their programmes on a competitive basis around the country. How do you think that is likely to land if some areas are better organised and better resourced to apply to bid for propositions for which others are not?

Karen Sanderson: It is a great point. CIPFA's view on this is that competitive bid funding is not the most efficient way of funding these kinds of programmes. We issued some research earlier this year that found that it undermines both efficiency and value for money because, as you say, those that are better resourced are better equipped to bid for these funds. There is allocative inefficiency in that because it means that it does not necessarily go to the place that needs it. There is, of course, a cost to local authorities for putting together those bids.

While there is maybe a role for competitively funded programmes, it would be good to see some of those built into other funding mechanisms because I think that we will get better outcomes as a result.

Q215 **Chair:** Is it your sense that local authority finance departments have the skills, for example, to respond to the climate emergencies that many of the local authorities have declared?

Karen Sanderson: The research that we did came back and said that 37% of people felt that they had the capability and 34% the capacity to do this, so very low levels of people were saying that they could take this on. There is a real challenge there.

A lot of the information that we might want to report on is non-financial, so it relies on other disciplines being part of a team to look at understanding what is going on from a sustainability reporting perspective. In our research, we found that 60% of those that were producing a sustainability report had a dedicated team doing this, with a mix of skills to enable reporting on the right things.

There is a real challenge for finance professionals, in both skills and capacity, to take this on. We think there is a real role for finance professionals, notwithstanding that a lot of the data might be non-

financial, to look at the things that are clearly financial. Planning the impacts of this on future budgets is clearly important, but so are the skills that they can bring to make sure that there is robust reporting. Finance professionals are used to doing this through the work they do on financial statements, and there is a lot of skill there that they can bring.

Q216 **Chair:** Is your organisation putting in place training programmes and trying to help them get up the learning curve?

Karen Sanderson: Yes. This is a maturing proposition for many bodies, but we are all putting it in place. CIPFA has sustainability in its professional qualification now, and CPD offerings around that. It is maturing, and it is certainly something that we as an organisation are going to develop further. I know colleagues in other accounting bodies are also looking to this as well. The profession is responding to that.

Q217 **Chair:** Thank you. Alan, could you give us your view about the readiness of local authorities to act? I think I have a pretty clear understanding, but my question is in relation to the skills and resources of each authority and how they can respond to the climate crisis.

Alan Simpson: At every level of governance we all need CIPFA to step up to the plate and provide that common framework so that we understand that we are in the same game and no one is being tripped up by tricks or inconsistencies. The sooner that happens, the better.

Are local authorities equipped? No, they are not. I say that not as a criticism, because some of the things that the best local authorities are trying to do are magical, but they are doing so against huge pressures in responding to Covid, the crisis in care and the financial constraints that they are under. They do not have the resources and, if we are being brutally honest, there is little that they can do against Helen's suggestion about the wider audit to escape from being part of a process that is going to get worse rather than better.

We need a shift. In Sweden, local authorities have the freedom to borrow and invest with municipal bond-type schemes for capital purposes only, and I think that would be helpful, if central government made it a prerequisite that everything had to be consistent with the delivery of the shift into net zero economics. Then there would be a very different conversation.

There is a willingness that, as a country, we should not blindside or denigrate, because I think people realise the extent of the emergency. It is an existential threat that we have never faced before. There is a hunger outside to be part of the solution, but we do need something that I can see in your Committee, and which I do not see in Parliament as a whole or in any of the major parties. We are all falling short, and what we need is what you bring, which is urgency, clarity and leadership. That is what makes me hopeful.

Chair: I think that is the first time anybody has given evidence to this

Committee and actually praised us for what we are doing, so I think we should bring this session to a conclusion on that. Thank you very much, Alan Simpson, for coming back to Parliament to talk to us today; Karen Sanderson from CIPFA, thank you very much for joining us; and thank you to Committee members for attending on an unusual day after a busy couple of days.