

Key facts

2050

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

2%

estimated proportion of UK total greenhouse gas emissions accounted for by direct greenhouse gas emissions from public sector buildings in 2019

75%

target for reducing direct greenhouse gas emissions from public sector buildings to be achieved by 2037 measured against a 2017 baseline

50% reported reduction in greenhouse gas emissions achieved by 2019-20 under the Greening Government Commitments (GGCs), as measured against a 2009-10 baseline

18 departmental groups that achieved their 2020 GGCs decarbonisation target, of the 20 groups reported

14% of departments with an emission reduction target under the 2021-2025 GGCs that did not fully meet any of the greenhouse gas emission elements of HM Treasury's mandatory sustainability reporting requirements in 2018-19

43% of departments with an emission reduction target under the 2021-2025 GGCs that met all the greenhouse gas emission elements of HM Treasury's mandatory sustainability reporting requirements in 2018-19

Summary

Background

1 In June 2019, Parliament passed an amendment to the Climate Change Act 2008 committing the UK to achieving 'net zero' greenhouse gas emissions (emissions) by 2050. This means reducing emissions (also known as 'decarbonisation') substantially from current levels, with residual emissions the UK still emits in 2050 being equal to or less than what is removed from the atmosphere by either the natural environment or carbon capture technologies, such as tree planting or engineered removals.

2 The government estimates that emissions from public sector buildings account for around 2% of total UK emissions.¹ It has included the public sector in a series of broader strategies to decarbonise the UK economy:

- The government published its *Clean Growth Strategy* in 2017, setting out its ambitions for the public sector to be a leader in reducing its emissions and that it has a key role in demonstrating best practice, promoting transparency over emissions reporting and catalysing markets.
- In its 2021 *Net Zero Strategy*, the government restated its ambition that "the wider public sector will lead by example during the transition to net zero". In terms of transparent reporting, the strategy notes that public sector organisations "should report their progress so they can be held accountable" and that government will "legislate to enable us to require reporting of public sector emissions on a consistent and coherent basis if this is not done on a voluntary basis". To measure its performance against this ambition, the government restated a commitment to halve direct emissions from public sector buildings by 2032 and set a new target to reduce them by 75% by the end of 2037, both against a 2017 baseline. The government has established the Public Sector Decarbonisation Scheme to fund winning bids from public bodies – phase 3 of which will provide £1.425 billion over the three financial years beginning 2022-23.

¹ This measure is derived from estimates of the amounts of fuel burnt in public buildings, for example gas and oil. It does not include the public sector's wider scope 1, 2 and 3 emissions, for example emissions arising from owned vehicles or electricity consumed.

3 Since 2010-11, the government has also agreed targets with central government (government departments and their partner organisations) to reduce their emissions as part of the Greening Government Commitments (GGCs). These set out actions that central government will take to reduce its impacts on the environment, of which reducing emissions is one component. The current targets are set by the Department for Business, Energy & Industrial Strategy (BEIS) through negotiation with individual departments to reduce their emissions by the end of 2024-25 compared with a 2017-18 baseline. Departments' targets range from achieving a 10% reduction to a 43% reduction in direct emissions and a 27% to 69% reduction in overall emissions.

4 For reporting purposes, international standard setting bodies such as the Greenhouse Gas Protocol, drawn on by the UK government, divide emissions into three categories, known as 'scopes'. These reflect how much control or influence an organisation has over them and prevent the double counting of emissions by ensuring that two or more organisations do not account for emissions in the same scope:

- Scope 1 emissions are direct emissions that are released into the atmosphere from sources that are owned or controlled by the organisation. These include emissions from gas-fired heating systems, emissions from an organisation's vehicle fleet and 'fugitive emissions', which are leaks of greenhouse gases, such as fluoride gases leaking from refrigeration or air-conditioning units.
- Scope 2 emissions are indirect emissions from the generation of purchased energy, which for most organisations are primarily emissions released during the generation of the electricity it uses.
- Scope 3 emissions are all other indirect emissions that occur because of an organisation's activities but from sources not owned or controlled by the organisation. These include 'upstream' emissions, such as business travel undertaken by employees and goods and services purchased from external suppliers, and 'downstream' emissions, such as emissions from investments. Measuring scope 3 emissions poses a challenge because it requires organisations to collect a wide range of information, often held by other bodies, which means that there may be difficulties with data accessibility and quality. Scope 3 emissions can also be an organisation's largest source of emissions.

5 No single department holds overall responsibility for the framework for measuring and reporting public sector emissions. Several government departments play an important role:

- BEIS has overall responsibility in government for achieving net zero, including setting the strategy for decarbonising the public sector, and leads on the emission reduction aspects of the GGC framework including the process for setting emission reduction targets for central government.
- The Department for Environment, Food and Rural Affairs (Defra) has overall responsibility for the GGC framework, which includes overall and departmental targets. It publishes reporting requirements to ensure that it receives consistent information from central government bodies for inclusion in the annual report on progress in meeting the GGC targets.
- HM Treasury has responsibility for setting annual reporting requirements in central government.² As part of this, it publishes the Sustainability Reporting Guidance, setting out what information central government bodies that are within scope of the GGCs have to disclose in their annual reports and accounts.

6 Measuring and reporting emissions is essential to helping the public sector to reduce its greenhouse gas emissions, but this is an area where measurement standards and reporting requirements will continue to develop. Public sector organisations need adequate data to understand the impact of their operations on greenhouse gas emissions; enable their management teams and boards to monitor progress in delivering reductions; and enable external scrutiny of performance by stakeholders, including Parliament. Many organisations are still learning how best to measure and report on their emissions. Our examination drew upon our accumulated experience of examining performance reporting and measurement regimes across government.

7 This report examines the extent to which the government measures and reports public sector emissions in line with its ambition for the public sector to be a leader in decarbonising its activities. It examines:

- the landscape of public sector emissions measurement and reporting (Part One);
- the completeness of current measurement and reporting requirements for public sector bodies and progress in improving the transparency of reporting across central government (Part Two); and
- whether government and public sector organisations are using emissions data to inform future planning (Part Three).

² HM Treasury only has the authority to set annual reporting requirements in central government. Other bodies set the equivalent reporting requirements for other areas of the public sector. Accounting officers at each reporting organisation have responsibility for complying with the relevant reporting requirements.

Key findings

Measuring and reporting greenhouse gas emissions

8 By 2019-20, central government reported that it had reduced its emissions by 50% compared with 2009-10 and therefore had achieved its aggregate target.

The GGCs, introduced in 2010-11, include a series of commitments to reduce central government's impact on the environment, including targets to reduce emissions. The aggregate targets for 2019-20, which were revised in 2018 to make them more stretching, were met a year earlier than planned. By 2019-20, the government reported achieving in aggregate a 50% reduction in emissions from departments and their partner organisations, exceeding its target to reduce emissions by a minimum of 43% from a 2009-10 baseline. The government attributed the improvement to improved management of the government estate and decarbonisation of the national grid. Eighteen departmental groups (of the 20 groups reported) achieved their 2019-20 GGCs decarbonisation target (paragraphs 1.9 and 2.2 to 2.4).

9 The government's GGCs do not provide a complete picture of progress made by the public sector in reducing its emissions.

They set out the actions central government will take to reduce its environmental impacts, with departments committing to targets to improve environmental performance and to report their progress. Through this framework, organisations report their emissions, which provides useful data on the progress that is being made, but the GGCs do not cover all public sector emissions.

- *Not all central government bodies report GGC data as expected under the GGC guidance.* In 2019-20, Defra received no GGC data for any of the partner organisations of the Department for Digital, Culture, Media and Sport and the Ministry of Housing, Communities & Local Government, although the parent departments reported their own core departmental figures.³ We could find no evidence of Defra having granted exemptions to the partner organisations. Defra informed us that it is currently reviewing exemptions records to ensure that gaps in reporting coverage against the 2021–2025 targets are closed.
- *The GGCs do not apply to public sector organisations beyond central government departments and their immediate partner organisations.* Emissions from the wider public sector – for example, hospitals, schools and local authorities – are outside the scope of GGCs and there is no equivalent process in place.

3 The Ministry of Housing, Communities & Local Government is now called the Department for Levelling Up, Housing & Communities.

- *The GGC measures do not include all sources of emissions.* Departments and their partner organisations are required to report against a specific list of common emission sources. They are not required to report on emission sources not on the GGC list (mainly those falling under scope 3, such as the purchase of goods and services) even if they are significant. The reduction targets set under the GGC framework will therefore not encompass the full range of an organisation's emissions (paragraphs 1.9, 2.2, 2.5 to 2.6, and 2.11 to 2.12).

10 The sustainability reporting requirements for departments set by HM Treasury are broadly consistent with those set for larger companies, but the government is encouraging the private sector to go further. BEIS is responsible for setting the statutory requirements for private sector organisations and HM Treasury is responsible for setting the statutory reporting requirements for central government. Both central government departments and some private sector organisations are required to report their scope 1 and scope 2 emissions and one of the sources of scope 3 emissions (business travel).⁴ The government is encouraging the private sector to go further by requiring companies bidding for government contracts over £5 million to report five of the 15 possible types of scope 3 emissions (paragraphs 2.8 to 2.10 and Figure 5).

11 Most central government bodies are measuring some of their emissions but full compliance with the emissions elements of HM Treasury's Sustainability Reporting Requirements was low. Our analysis found that in 2018-19, the last full financial year before reporting requirements were suspended during the COVID-19 pandemic, only nine (43%) of the 21 departments with an emission reduction target under the 2021 to 2025 GGCs fully met all the emissions elements of HM Treasury's mandatory sustainability reporting requirements in their annual report and accounts. Three (14%) did not fully meet any of the requirements. The scale of the measurement and reporting task varies significantly depending on the size of the organisation and the nature of its activities (paragraphs 2.14 to 2.17, 2.19).

⁴ Requirements set by BEIS for private sector organisations are published in its 2018 Streamlined Energy and Carbon Reporting standards and apply to all quoted companies and large unquoted or limited liability partnerships complying with the Companies Act 2006. Bodies set up as companies that deliver public services, such as academy trusts, can be in scope.

12 There are no mandatory emissions measurement and reporting requirements for the public sector as a whole. The wider public sector includes local authorities, schools and hospitals. We noted last year, in our report on Local Authorities and Net Zero, that there is little consistency in local government reporting of emissions. Some authorities, however, have taken the initiative to promote carbon reporting within their sectors. For example, the NHS requires regional NHS bodies to report annually on their sustainability. BEIS has committed to issuing guidance for the public sector as a whole to support the accurate and consistent measurement and reporting of emissions, but it has not yet set a timetable for when it intends to develop and publish this guidance. At present, BEIS plans to track overall public sector progress against emissions reduction targets using data from the Greenhouse Gas Inventory. The chosen measure relates to direct emissions from public sector buildings and is part of the national statistics data-set. It does not allow for performance to be attributed to organisations or major public sector activities. BEIS does not draw on or use other available performance data – for example, the GGC data – that would enable it to track progress on a more frequent or granular basis to identify which parts of the sector are making slower progress (paragraphs 2.13, 3.10, 3.11 and 3.14).

13 Some organisations have found it challenging to identify and understand the range of measurement and reporting guidance. This partly reflects the rapid evolution of reporting practice in both the public and private sectors, making it difficult for organisations to keep abreast of change and understand what they need to do. The ability of public bodies to keep up to date with what is needed is complicated by the fact that several government departments publish guidance on measurement and reporting for differing purposes – including HM Treasury, BEIS, Defra and the Cabinet Office – creating a complex landscape for public sector bodies to navigate. The government has made efforts to align some of its guidance, but the multiplicity of guidance leaves public bodies having to cross-check guidance documents to ensure that nothing is missed. There is no single source bringing this information together in one place (paragraphs 2.12, 2.19 to 2.21 and Figure 7).

Delivering progress against long-term goals

14 Organisations in our case sample used the departmental GGC targets to guide their ambitions for decarbonisation, but BEIS does not yet know whether the GGC targets agreed for 2025 are sufficiently ambitious. BEIS committed in its Net Zero Strategy that the updated 2021–2025 GGCs emission reduction targets would be consistent with a trajectory to achieve net zero. More broadly, all public bodies are expected to set targets to reduce their emissions. BEIS told us there is no expectation that the individual organisations should set themselves a net zero target. The emissions reduction targets for the 2021–2025 GGCs were set through negotiation between BEIS and individual departments. BEIS informed us that the starting point for the negotiation with each department was based on a simple linear trajectory to achieve the 2032 direct emissions target, which equates to a 25% emissions reduction by 2025. But the final targets set for each department range from a 10% to a 43% reduction in direct emissions. BEIS does not currently know whether these targets will, in aggregate, deliver the reduction required by 2025 (paragraphs 3.2 to 3.4).

15 The organisations in our case study sample ranged from those only just beginning to measure their emissions to those that were using emissions data to assess the cost implications of their decarbonisation targets. The nine organisations examined were at different stages of measuring, reporting and using their emissions data. Those that had only recently come within the scope of the GGC reporting requirements were taking steps to capture better basic data on their direct emissions. Other organisations we examined – National Highways and Defence Equipment & Support (DE&S) – had gone further and were taking steps to assess progress against longer-term goals and develop strategies to accelerate progress. Both organisations were taking steps to understand their emissions in greater detail, including making early efforts to understand their scope 3 emissions. Of the organisations we examined, DE&S and the Department for Work & Pensions had estimated the overall cost implications of decarbonising their operations. Some organisations had made plans to reduce the financial cost of decarbonisation by replacing assets with alternative solutions that have lower associated emissions, as part of their routine asset renewal cycle (paragraphs 3.4 to 3.6, Figures 8 and 9).

16 The support and guidance provided by the centre of government is dispersed across a number of teams, creating a risk of inconsistency and duplication. BEIS has overall responsibility for leading the decarbonisation of the public sector but needs to work closely with teams in HM Treasury and Defra. In addition, a range of other public bodies, and other entities working under contract to government, have taken on roles providing guidance and advice to other parts of the public sector. The Office for Government Property facilitates the sharing of good practice and has developed both a Net Zero Trajectory Tool to help bodies estimate the cost of decarbonising their estate and the Net Zero Estates Playbook that brings together decarbonisation guidance for estates teams. The Government Property Agency produces the Government Workplace Design Guide that includes guidance on setting emissions targets for buildings, and tracking and modelling energy consumption. Several of the central teams we interviewed told us resource constraints limited the work they were able to do. With responsibilities distributed in small teams across the central departments, there is a risk of inconsistencies in approach. As the reporting requirements develop, there is a risk that no single team will have the resources to take an effective lead on measurement and reporting issues and that some effort will be duplicated (paragraphs 2.8, 2.19 to 2.20, 3.8 to 3.9 and Figure 7).

Conclusion

17 Central government departments have reported notable progress in reducing their direct emissions over the past decade. The GGCs have provided a broadly stable framework within which departments can measure and report progress against targets. HM Treasury's Sustainability Reporting Guidance has begun to set expectations for what stakeholders, and Parliament, might expect to see in the annual reports of public bodies. However, there are inconsistencies in which bodies are and are not reporting within the GGC framework, patchy compliance with HM Treasury's reporting guidance and a lack of clarity about what is expected of the rest of the public sector.

18 In part, the current inconsistencies mirror a lack of coherence in the oversight and support provided by the centre of government on the measurement and reporting of public sector emissions. All public sector bodies need to understand the likely costs of delivering their decarbonisation targets so that they can effectively prioritise action and investment. And with better, more consistent data, central government departments could improve cost estimation and inform priorities for reducing emissions. This will require active leadership from the centre of government to strengthen its management of the measurement and reporting regime.

Recommendations

19 We make the following recommendations:

- a** **The government should strengthen the coordination of work at the centre of government on the measurement and reporting of public sector emissions.** Several government departments issue guidance for measuring and reporting emissions but these efforts lack coherence and clarity. As the sector begins to tackle the challenges of decarbonisation, the government should ensure that there are clear lines of responsibility and accountability for coordinating efforts to improve the measurement and reporting of emissions across the public sector.
- b** **BEIS should ensure that appropriate emissions data are reported from the whole public sector.** Decarbonisation goals have been set for the entire public sector, but only central government is currently required to measure and report emissions under the GGC framework. BEIS should review the adequacy of current measurement and reporting practice beyond the current central government GGC boundary to ensure that appropriate data are being collated to demonstrate progress towards the decarbonisation goal.
- c** **BEIS, working with other departments, should ensure that the shorter-term GGC targets are sufficiently aligned with the longer-term decarbonisation goals.** Taken together, the GGC targets set over the shorter-term, should reflect a clear and sufficient trajectory for the public sector to deliver on the longer-term decarbonisation goals.
- d** **BEIS, Defra and HM Treasury should rationalise emissions measurement and reporting guidance.** The departments should agree a timeline for introducing its measurement and reporting framework that sets clear expectations for the public sector. Whenever possible, separate guidance documents should be consolidated. When this cannot be done, the departments should ensure that separate guidance is consistent and fully aligned with the government's strategic decarbonisation targets.

20 At a time of rapid evolution in emission reporting practice in both the private and public sectors, we recognise that some of the changes may have an impact on the work we perform as the external auditor of central government. We stand ready to work with the government and Parliament on changes to the external assurance arrangements to ensure that they keep pace with developments in other sectors.