
Administrative Response – PwC - CO2 Reduction Initiatives Audit Report

Recommendation

That the report of the Acting General Manager, Corporate Performance Department, dated August 7, 2018, be received as information.

Topic and Purpose

The purpose of this report is to provide the Administration's response to the recommendations in PricewaterhouseCoopers' (PwC) CO2 Reduction Initiatives Audit Report.

Report Highlights

1. The Administration agrees with the recommendations made by PwC in the internal audit report.
2. The resource recommendations relate to the planning and design of emissions reductions initiatives, but not the implementation.
3. A partial resourcing request has been included as part of the 2019 Budget Plan and deliberations.
4. A recommendations report will be completed in October, which will include an estimate of required resources to implement recommended initiatives for 2019.

Strategic Goals

This report supports the Strategic Goal of Environmental Leadership, specifically the performance targets to reduce greenhouse gas emissions as a corporation by 40% below 2014 levels by 2023, community emissions by 15% below 2014 levels by 2023, and all emissions by 80% below 2014 levels by 2050. This report also supports Asset and Financial Sustainability by mitigating the effects of the carbon price mechanism that will be implemented in 2019 either by the provincial or federal government.

Background

The City of Saskatoon (City) Strategic Risk Register contains three risks related to climate change. The first is risk SG-4: The City may not be prepared for the effects of climate change. The risk is identified as a medium priority by City Council, and has an inherent risk of 7.3 (which represents "high" inherent risk, the risk that the City would realize if steps are not taken to mitigate the risk).

In addition, risk EL-3: The City may fail to identify and pursue corporate CO2 reductions initiatives. This is listed as a low priority by City Council, with an inherent risk of 6.1 (high). Some of the impacts of this risk include effect on assets due to climate change and unmitigated effect of increased frequency and intensity of severe weather events.

Lastly, risk EL-2: The City’s community education and awareness initiatives regarding carbon footprint may not be affecting change in people’s attitudes and behaviours. It is listed as a low council priority and has an inherent risk of 5.4. Some of the additional key impacts of this risk involve impacts to the reputation of the City, damage to infrastructure, loss of economic competitiveness and unrecognized co-benefits such as increased air quality and reduced traffic congestion.

Report

Internal Audit Report Recommendations

The PwC CO2 Reduction Initiatives Audit Report contains 6 recommendations relating to the planning and reporting of emissions reductions opportunities. These are grouped into the following four categories:

1. Mitigation risk identification and measurement
2. Mitigation goal setting
3. Data management
4. Resourcing

The recommendations are focused on the planning phase of emissions reductions; however, the recommendations do not address further work required to mitigate greenhouse gas emissions in the community, such as implementing emissions reductions programs, capital projects, or reporting deliverables at key milestones and on an ongoing basis.

The Administration agrees with the recommendations in the report. Attachment 1, Response to CO2 Reduction Initiatives Audit Recommendations, highlights the response and implementation timelines to each of the recommendations.

Resourcing and Timelines

The PwC CO2 Reduction Initiatives Audit Report recommends a total of 3.5 FTEs be added in 2018, increasing to 9.3 FTEs by the end of 2019. The FTEs apply to capital (2.75 FTEs) and operating (6.55 FTEs), and 1.25 would be temporary, with 8.05 FTEs required for ongoing support and implementation of emissions reductions programming.

Under the Environmental Leadership Strategic Objectives, the effects of climate change on civic services are included in the 2019 Business Plan and Budget with an operating funding request of \$150,000 and 1 FTE. This request would bring the current level of climate change planning (supported by capital project funding) into an ongoing operation. The current level of service for climate change planning includes the Environmental Accounting Manager, plus additional resource contributions for research, greenhouse gas calculations, and communications and engagement support (equivalent to a total of 1 FTE).

Recommendations that will lead to a Business Plan for Climate Change Mitigation are currently being developed for presentation to the Standing Policy Committee on Environment, Utilities and Corporate Services in October. The recommendations will

include an estimate of resources for implementing some initiatives as early as 2019. The Business Plan itself is expected to be complete in June of 2019. The Plan will include an implementation plan, outlining capital and operating FTEs required to meet the emissions reductions targets set in 2017. The resourcing required for the planning and design phase of climate change opportunities may look similar in the Business Plan to the analysis prepared by PwC, and will also include the identification of the resource requirements for implementing climate change programming within the corporation and in the community.

Public and/or Stakeholder Involvement

Through the Audit process, managers and directors from across the organization were invited to participate in discussions about the current and future state of emissions reduction options. The conversations were directed to divisions managing activities generating higher emissions, and focussed on operational implications, resourcing, current/planned activities, and level of support required for emissions reductions initiatives.

Communication Plan

Communications with civic divisions will begin in late August, including sharing the results of the audit with higher emitting divisions within the organization. Plans are also underway for engagement with these divisions on opportunities and barriers affecting the ability to meet the Corporate emissions reductions targets. The results of the internal engagement will be reflected in the Recommendations report that is expected to be delivered in October.

Financial Implications

The PwC CO2 Reduction Initiatives Audit Report recommends 9.3 FTEs to support planning for emissions reductions initiatives in the City. This would require annual funding of approximately \$1M. Currently, the Mitigation Business Plan has 1.5 FTEs allocated to the project, which is approximately \$150,000. The 2019 Budget Plan is requesting that the current level of service for climate change mitigation planning be supported on a permanent basis.

Other Considerations/Implications

There are no options, policy, environmental, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

Administration will present the Climate Change Mitigation Recommendations to the Standing Policy Committee on Environment, Utilities and Corporate Services in October and the Climate Change Mitigation Business Plan will be brought forward in 2019. In addition, reports will come forward for specific emissions reductions initiatives based on the Recommendations report.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachment

1. Response to CO2 Reduction Initiatives Audit Recommendations

Report Approval

Written by: Nasha Spence, Environmental Accounting Manager

Reviewed by: Brenda Wallace, Director of Environmental and Corporate Initiatives

Nicole Garman, Director of Corporate Risk

Approved by: Dan Willems, Acting General Manager, Corporate Performance Dept.

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Response to CO2 Reduction Initiatives Audit Recommendations						
Theme	#	Action/Recommendation	Current Status	Next Steps	Owner	Timeline
Mitigation risk identification and measurement	1	Develop MAC curves specific to the City's circumstances as a minimum fundamental tool.	Not yet started.	Issue an RFP for mapping and modeling, including forecasts and projects for a low, medium and high carbon scenario, and business as planned.	PM - Mitigation	June, 2019
	2	Develop a realistic emission reduction strategy with reasonable targets, focused on the areas of greatest emission reduction potential and employing appropriate levers.	Underway - part of the business plan development for emissions reductions.	Continue analysis on emissions reductions opportunities and the implications for the Saskatoon community.	PM - Mitigation	June, 2019
Mitigation goal setting	3	Develop City-specific emission reduction goals based on a more sophisticated understanding of the inventory and aligned with an environmental management system.	Initial engagement with key divisions within the Corporation commenced in spring, 2018. Further engagement and analysis required.	Continue engagement with Corporate divisions to ensure analyses and projections are accurate. Develop a priority listing.	PM - Mitigation Environmental Coordinator	June, 2019
	4	Develop an environmental management system (EMS) that includes high-level goals, objectives and targets, including those related to deep decarbonization.	Not yet started - Environmental and Corporate Initiatives plans will implement an EMS system in collaboration with a Climate Change Adaptation strategy.	Hire a PM to develop an Adaptation Strategy and EMS system.	Environmental Accounting Manager	2018

Data management	5	Implement a more robust, automated system that extends the entire length of the data management cycle to ensure quality data control over the GHG inventory and to enable effective measurement of performance.	Not started - internal resourcing is inadequate to improve the internal controls on emissions reporting.	Collaboration with IT and Environmental and Corporate Initiatives to improve internal controls on data management for climate change reporting.	Environmental Accounting Manager	2020 Budget Deliberations
Resourcing	6	Build out a resourcing plan that addresses the current gap of five to six FTE's based on the actions and programs currently in place and proposed in the internal work plans.	Permanent funding for 1.5 FTE's of the 9.3 FTE's recommended is included in the 2019 Budget Plan; 0.65 FTE's are "borrowed" from other work-groups; the remaining 7.15 FTE's are currently not planned.	Outline the long term resourcing needs for climate change in the Climate Change Business Plan.	Environmental Accounting Manager	1.5 FTE - 2018 Budget Deliberations 7.8 FTE's - unplanned - bring forward in 2020 Budget