

Municipality's current state analysis: Climate perspectives in financial management processes

By using this analysis model, the municipality can:

- Identify good practices in which climate perspectives have been incorporated in financial management processes
- Identify development areas where the municipality could particularly improve the integration of climate perspectives into financial management processes
- Conduct internal discussions on practices and their development needs and strengthen cross-administrative dialogue.

In the analysis model, the link between financial management and climate leadership is examined in four areas:

- Climate goals in the strategy and strategic programmes (strategic foundation of financial management and climate leadership)
- Climate goals and measures in financial planning
- Financial and climate action monitoring
- Procurement and investments

Each one is divided into smaller sections to be analysed. The identification of good practices and development needs in each section is supported by questions that are answered as part of the analysis.

Conducting a current state analysis in the municipality

The analysis should be conducted as cross-administrative work, with at least the actors involved in climate action/resource wisdom as well as financial administration actors participating in the discussions. Parties responsible for operational and financial planning or procurement in different functions as well as representatives of the procurement function can also be invited to participate in the analysis.

For example:

- A cross-administrative team of a few persons is formed to carry out the self-assessment
- The team initially goes through the self-assessment as a whole and identifies topics that require broader perspectives
- The team interviews representatives of other functions about the selected areas (for example, procurement function representatives, a sample function that implements climate measures, municipal decision-makers) or organises a meeting for them in which the self-assessment is discussed
- The team sums up the conclusions and observations

Instructions for using the analysis template

Work through each area and, with the help of the questions, identify the level at which climate perspectives are considered in the financial management processes in the municipality's current situation.

Write down your observations and describe development measures already taken in the municipality, practices in use as well as identified development needs.

Assess each area on a scale of 1 to 4:

1 = No practices. The municipality has not identified and planned its practices in this area.

2 = Practices have been planned but they have not yet been fully implemented

3 = Practices have been planned and implemented. Development needs remain.

4 = Practices have been planned and implemented and they are highly developed. The municipality's practices in this area work well and produce the desired results.

1. Strategic foundation of financial management and climate leadership

The integration of climate leadership into financial management is based on climate goals defined in the municipality's strategy. The strategic goals must be integrated into all activities and management processes.

The integration is also underpinned by a longer-term climate goal action plan or roadmap which specifies the more detailed measures aiming to reduce emissions for the entire local authority corporation.

If the functions, units, and municipal enterprises/companies have a strong ownership of the roadmap actions relevant to their activities as well as an understanding of the impact and costs of the different measures, this supports the integration of climate actions into financial planning (area 2).

Municipality's strategy	<ul style="list-style-type: none">• In what ways does the municipality's strategy set climate goals?• How are they prioritised? (For example, are they cross-cutting in all areas, one of the strategy spearheads/included in a spearhead etc.)
Score (1-4):	Notes, strengths and development areas:

<p>Climate programme or roadmap</p>	<ul style="list-style-type: none"> • Has the municipality drawn up a long-term roadmap or action plan for measures through which it strives to achieve strategic climate goals? • Are there other binding strategic programmes and plans/documents that add detail to the attainment of climate goals?
<p>Score (1-4):</p>	<p>Notes, strengths and development areas:</p>
<p>Roadmap ownership, participation and commitment</p>	<ul style="list-style-type: none"> • Have different units, corporation companies or other stakeholders of the municipal organisation participated extensively in drawing up the roadmap? • Have the functions/service areas/units set their own targets and measures for the roadmap? • Does the responsibility for planning and adding detail to the measures rest with the functions/service areas/units?
<p>Score (1-4):</p>	<p>Notes, strengths and development areas:</p>
<p>Corporation management</p>	<ul style="list-style-type: none"> • Does the roadmap also direct the activities of the municipality owned companies/corporations? • Does it also include targets and measures for companies? • Have the municipality's strategic climate goals been integrated into the corporation management in other ways? • Do the companies have their own climate targets?
<p>Score (1-4):</p>	<p>Notes, strengths and development areas:</p>
<p>Impact assessment/ evaluation of impacts and indicators</p>	<ul style="list-style-type: none"> • Have impact assessments been conducted for the sets of measures or individual actions of the roadmap? • How have the most essential functions relevant to reducing emissions been identified in the municipality's activities? • For example, have the emissions reductions achieved by different measures and the cost impacts of the measures been assessed? • Have indicators for monitoring the progress made with achieving goals and completing measures as well as evaluating their impacts been defined in the roadmap?

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Score (1-4):	Notes, strengths and development areas:
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2. Climate goals and measures in financial planning

The municipality's operation and finances are directed by a financial plan prepared for at least three years at a time. The municipality's and the local authority corporation's operational and financial goals are approved in the budget and financial plan. The financial planning processes are well-established, and the instructions and practices associated with them are closely monitored throughout the local government organisation. This is why financial planning provides crucial means for translating strategic climate goals into practical measures.

Spending limits planning	<ul style="list-style-type: none"> • What role do municipal decision-makers play in defining the spending limits? • Is information on the state of climate measures and goals used as a basis for spending limits planning? • Are the most essential areas relevant to reducing emissions identified at this stage?
Score (1-4):	Notes, strengths and development areas:
Guidelines for budget preparation	<ul style="list-style-type: none"> • Do the budget preparation guidelines instruct functions to include strategic climate targets in the budget and financial plan? • Do the guidelines ask the functions to compile information on measures that promote climate goal achievement for the budget proposal? • Do the guidelines ask the functions to highlight measures that promote climate goal achievement in the budget proposal?
Score (1-4):	Notes, strengths and development areas:
Budget proposals of functions	<ul style="list-style-type: none"> • Do the functions bring up measures set out in a climate roadmap or other climate action plan in their budget proposals? • Are the functions provided with information on the impacts of climate measures already completed and the state of goal achievement to underpin the planning? • Are impact assessments of the functions' climate measures carried out? • Who conducts the assessments/produces the information?
Score (1-4):	Notes, strengths and development areas:
Corporation management and companies' budgets	<ul style="list-style-type: none"> • Are corporation companies encouraged to set climate targets in their financial planning?

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Score (1-4):	Notes, strengths and development areas:
Combination and balancing of budget proposals	<ul style="list-style-type: none"> • Are impact assessments/evaluations of impacts carried out for the set of climate measures included in the budget proposal? • Is the adequacy of the set of measures assessed in proportion to the emission targets?
Score (1-4):	Notes, strengths and development areas:
Final budget	<ul style="list-style-type: none"> • Which criteria are applied to assessing the adequacy of the goals and actions set out in the budget before the budget is approved? Is the perspective of climate goals and similar accounted for, in addition to financial considerations? • Are decision-makers provided with information on the set of climate measures included in the budget proposal and its impacts (e.g. emissions reductions, costs)? • Does the budget set climate targets that are binding on the municipal council? • Do municipal decision-makers submit proposals for complementing and amending the budget based on climate goals?
Score (1-4):	Notes, strengths and development areas:
Budget allocation tables and separate budgets	<ul style="list-style-type: none"> • How do operational plans and separate budgets take into account the effects of measures on climate goals?
Score (1-4):	Notes, strengths and development areas:

3. Financial and climate action monitoring

Function and board level monitoring	<ul style="list-style-type: none"> • Have responsibilities for monitoring the achievement of/indicators for climate goals and measures been assigned to functions/units? • Is the achievement of climate goals and completion of measures monitored at board level (e.g. in interim reports) in connection with financial monitoring?
Score (1-4):	Notes, strengths and development areas:
Reporting to the municipal executive and council	<ul style="list-style-type: none"> • Is the achievement of climate goals and completion of measures monitored at municipal executive and council level (e.g. in interim reports) in connection with financial monitoring?
Score (1-4):	Notes, strengths and development areas:
Decision-making on change needs	<ul style="list-style-type: none"> • What action is taken if it turns out that no progress has been made with the climate goals and measures, or that they do not produce sufficient impacts? • Are needs for changes addressed during the budget year? • What are the decision-making paths for needs to make changes?
Score (1-4):	Notes, strengths and development areas:
Final accounts	<ul style="list-style-type: none"> • Do the final accounts contain a summary of climate goal achievement and completion of measures? How? • How does the examination of climate goal achievement and completion of measures carried out in connection with the final accounts guide further planning?
Score (1-4):	Notes, strengths and development areas:
Corporate management and monitoring of measures taken by companies	<ul style="list-style-type: none"> • How is the completion of climate measures and goal achievement in companies/unincorporated enterprises monitored?

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Score (1-4):	Notes, strengths and development areas:
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4. Procurement

Procurement is about spending the municipality's funds, and it contributes to promoting the achievement of the municipality's climate goals in concrete terms. The preconditions for impactful procurement are managing procurements as a strategic whole and identifying how climate goals at the strategy, roadmap and budget levels are translated into practical terms when planning, deciding on and making procurements.

Procurement refers to both purchases for the operational economy and investments.

Current state analysis of procurement	<ul style="list-style-type: none"> • Has a maturity analysis been conducted for the current state of procurement, and have the development areas of strategic procurement management been identified? • For example, have the most significant procurements in terms of emissions and cost impacts been identified through a spend analysis?
Score (1-4):	Notes, strengths and development areas:
Procurement policies/ procurement strategy	<ul style="list-style-type: none"> • Has the municipality drawn up procurement policies or other documents specifying how the municipality's strategic goals are achieved through procurements? • Have the ways in which climate goals will be promoted in different procurements been determined by procurement category? • Have the procurement policies been compared to the municipality's climate roadmap/action plan? How are the different programmes of the organisation coordinated to ensure that their goals are pulling in the same direction? • Or have climate goals been incorporated into procurement management in some other way?
Score (1-4):	Notes, strengths and development areas:

<p>Market cooperation and communication about procurements</p>	<ul style="list-style-type: none"> • Does the municipality have a procurement calendar for informing the market about future procurements? Are climate perspectives linked to it? • How are the municipality's low carbon targets brought up in market dialogues?
<p>Score (1-4):</p>	<p>Notes, strengths and development areas:</p>
<p>Procurement planning as part of the budget and financial plan</p>	<ul style="list-style-type: none"> • Is proactive/rolling planning of procurements (both for operational economy and investments) carried out before the procurements are entered in the financial plan? • Are perspectives relating to low carbon targets considered as part of proactive procurement planning? • How are the parties who prepare procurements in practice informed of the assessments and policies related to the pursuit of low-carbon targets? • How does the municipality manage coordination between functions/units in translating low-carbon targets into practice in procurements?
<p>Score (1-4):</p>	<p>Notes, strengths and development areas:</p>
<p>Investment decisions, preparation of procurements</p>	<ul style="list-style-type: none"> • Are decision-makers provided with information on different implementation options and their impacts (including emissions reductions, costs, savings impacts)? • Are ex-ante assessments of emissions and other impacts conducted in the procurement preparation phase?
<p>Score (1-4):</p>	<p>Notes, strengths and development areas:</p>
<p>Preparation and making of procurements</p>	<ul style="list-style-type: none"> • How is the pursuit of low emission targets taken into account in procurements, for example when defining the procurement object and setting the criteria for competitive tendering?
<p>Score (1-4):</p>	<p>Notes, strengths and development areas:</p>

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This self-assessment tool was developed in the project Climate and economic management of resource efficient municipalities (Resurssiviisaiden kuntien talous- ja ilmastojohtaminen /Reetta) by the Finnish Sustainable Communities network (FISU). Read more about the project (in Finnish):

<https://fisunetwork.fi/hankkeet/resurssiviisaiden-kuntien-talous-ja-ilmastojohtaminen-reetta/>