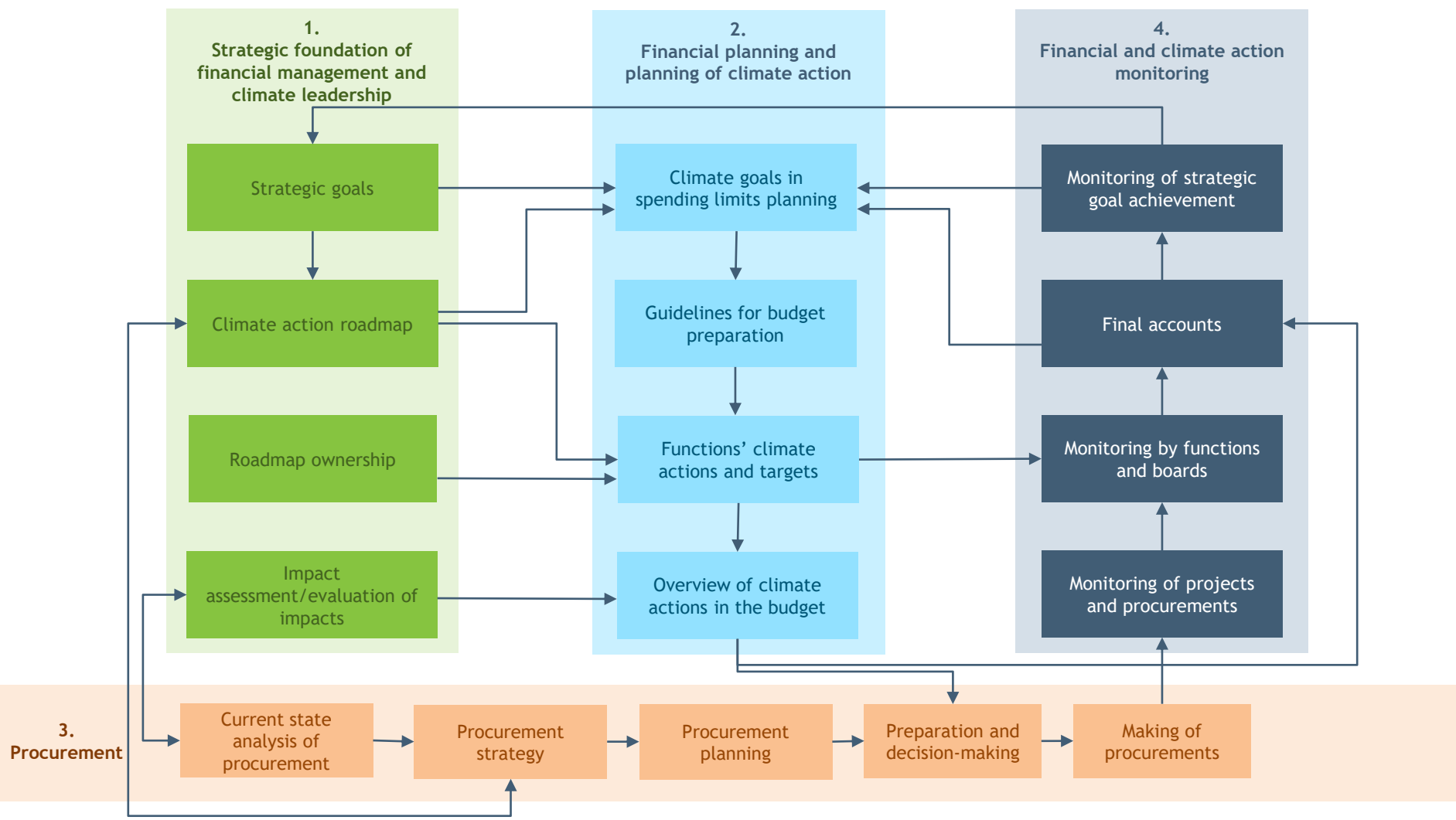


Model for integrating climate leadership into financial management



1.
Strategic foundation of
financial management and
climate leadership

The municipality's strategy and cross-administrative plans that add detail to it lay the foundation for integrating climate action into financial management.

Strategic goals

All key decision-making, planning and development work in the municipality stem from the municipality's strategy. Everything the municipality does must be guided by strategic goals. Climate goals set in the municipality's strategy point the direction for climate action. This provides the foundation for integrating climate action into financial management processes and practices.

Climate action roadmap

A roadmap or other similar climate programme adds detail to the municipality's strategic climate goals. The roadmap describes the milestones and measures for achieving the climate goals. The roadmap is updated regularly. It lays the foundation for planning and monitoring climate action as part of annual financial and procurement planning.

Roadmap ownership

The functions and subsidiaries must have strong ownership of and commitment to the climate action roadmap. The parties responsible for the measures are specified. The functions and subsidiaries participate in defining the goals and measures and are familiar with the measures for which they are responsible.

Impact assessment/evaluation
of impacts

The functions and subsidiaries must be aware of the most significant means of reducing emissions relevant to their work. This is why the emissions reduction potential and effectiveness of the measures in the roadmap must be assessed, making it possible to identify the most effective measures and to incorporate them into annual financial planning.

2. Financial planning and planning of climate action

Climate goals in spending
limits planning

Guidelines for budget
preparation

Functions' climate actions and
targets

Overview of climate actions in
the budget

The preparation processes of the budget and financial plan provide a key channel for verifying the achievement of strategic climate goals and translating them into practical measures throughout the municipal organisation.

In spending limits planning, the municipality's management defines the framework and priorities for financial planning. Strategic climate goals must have a role in identifying the priorities. Actions are targeted based on the situation picture of previous year's climate measures and progress made in achieving the goals.

When the functions are instructed to set annual climate targets and measures in the guidelines for budget preparation, climate action does not remain isolated from other operational planning. For example, the instructions may concern including climate targets in operational goals or providing information for a climate budget.

The functions plan in detail the climate action roadmap measures for which they are responsible and define annual targets and measures in connection with their budget proposals. If the impacts of roadmap measures have been evaluated, this provides a foundation for prioritising the most effective measures. Setting numerical targets for climate actions make it easier to monitor their impacts.

The set of climate actions in the budget and financial plan must be assessed at the annual level in relation to the goals, and the decision-makers must also be informed of the overview. Do the annual measures achieve emissions reductions and progress towards the climate goals? A climate budget is a tool that can be used for presenting the overview and communicating about it.

3. Procurement

Procurement strategy or policies

Procurement and investments are a major element of the municipal budget and an important area where practical measures can be taken to reduce emissions.

The procurement strategy, policy or guidelines specify how the municipality's strategy is put into practice in procurements. The climate roadmap and the strategy guiding procurements should be interlinked, and numerical/concrete targets should be set to describe how the climate goals are promoted in procurements.

Maturity analysis of procurement

Maturity analysis identifies how procurement should be developed to effectively attain the municipality's goals. In terms of promoting the achievement of climate goals, it is essential to identify procurements with significant emission and cost impacts and the needs to develop competence in low-emission procurement.

Procurement planning

Dialogue between proactive procurement planning and yearly financial planning aims for optimising the climate and financial impacts in line with the short-term and long-term goals.

Preparation and decision-making

When preparing procurements that play a key role for the climate goals, decision-makers are provided with information on different implementation options and their life-cycle impacts, including emissions reductions, costs and savings impacts. The ex-ante impact assessment of smaller procurements can be based on assessing the emissions reduction potential of different categories.

Making of procurements

In an individual procurement, climate perspectives can be addressed in the definition of the procurement object, market dialogue and the criteria applied in competitive tendering as well as in cooperation and monitoring during the contract period.

4.
Financial and climate
action monitoring

Monitoring of strategic goals

Monitoring by functions and
boards

Monitoring of projects and
procurements

Final accounts

The monitoring of strategic goals ensures that they are achieved. Monitoring may be declaratory or enhancement-led, which means that decisions on future actions are made on the basis of the findings.

The monitoring of and indicators for individual functions' operational targets are already defined in the budget preparation phase. Strategic goals can be monitored separately. The traffic light model is a good way to illustrate the achievement of qualitative goals, too. When planning and carrying out the monitoring, attention should be paid to ensuring that it will guide the next year's annual planning.

The achievement of climate goals is monitored at several levels: both annual and longer-term impacts are examined. The indicators for operational targets brought up by the functions should be clearly defined and concrete and describe target attainment. In addition to the target and its indicators, the baseline and target level of the activities are described. This will ensure smooth and informative monitoring in interim reports and final accounts.

When monitoring procurements that are in key role regarding climate goals, the achievement of the planned emissions reductions, costs and savings impacts is evaluated. A concrete reduction in emissions can be calculated for most investments. In monitoring, attention is paid to verifying how the criteria used in invitations to tender work. The experiences are used in the next planning period.

More detailed reports on completed actions are included in the final accounts and the annual report that is part of them. This report can take different forms, such as environmental accounts, climate budgets and separate sections describing climate actions. The actions may be verified qualitatively, quantitatively or in euro amounts. The presentation method is determined by the indicators. The more versatile the report, the clearer the overall picture produced by monitoring. The results provide the basis of planning and preparing for the next budget year/period.

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). The project was coordinated by Motiva Oy and Finnish Environmental Institute.

Read more about the project (in Finnish):

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