

WIRRAL COUNCIL

CABINET

8 DECEMBER 2011

SUBJECT:	CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME REPORTING UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	LAW, HR & ASSET MANAGEMENT
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR BRIAN KENNY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members on actions that have been taken to comply with the mandatory Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES). The required Footprint and the Annual Reports were submitted via the Government Gateway by the deadlines. Summary reports confirming the latest submissions are included as Appendix 1 and Appendix 2.
- 1.2 The CRCEES has a legal requirement for participating organisations to carry out regular internal audits. An Interim Internal Audit was issued on 26 July 2011 and a Final Internal Audit was issued in October 2011. These are included as Appendix 3 and Appendix 4. Internal Audit has now programmed annual CRCEES audits to comply with the regulations.
- 1.3 The first purchase of allowances will take place between April and July 2012 after the Environment Agency send out the invoices. The allowance charges will be based on the emissions contained in the Annual report. A budget provision of £532,000 has been made to cover the cost based on the CRCEES guidance that was available at the time.
- 1.4 Calculations using current guidance and including administration costs suggest the cost of CRCEES compliance will be £487,583 assuming other cost elements are not introduced by the Environment Agency. The contribution of each responsible department to the projected cost is shown overleaf (Minute 416, Cabinet 19 March 2009 refers).

Responsible Department in 2010/11	Projected CRCEES Cost
Academy Schools	£ 26,976
Adult Social Services	£ 22,491
CYPD (Buildings)	£ 8,944
CYPD Schools	£ 212,800
Disposals	£ 349
Finance	£ 8,711
LHR&AM	£ 54,768
Pension Fund	£ 44,194
Technical Services	£ 108,350
TOTAL	£ 487,583

1.5 CRCEES allowance charges are based on the amount of energy consumed. If the amount of energy consumed is reduced, then so will the amount of CO₂ emitted and the cost. Meeting targets set under the Carbon Budget will help control this cost.

2.0 RECOMMENDATIONS

2.1 Members are requested to note this report and that:

- Reducing use of energy and meeting target set by the Carbon Budget will reduce emissions of Carbon Dioxide that will consequently reduce the allowance the Council will have to purchase.
- Reducing energy use will also minimise energy purchase costs.

3.0 REASONS FOR RECOMMENDATIONS

3.1 To inform Members that the Council has complied with the CRCEES in respect of submission dates and Internal Audit requirements.

3.2 To acknowledge that the Council could reduce the allowances it has to purchase by increasing the efficiency of energy use.

4.0 BACKGROUND AND KEY ISSUES

4.1 Members will be aware that the CRCEES is the mandatory emissions reporting scheme administered by the Environment Agency (EA). The Council was required to register as a full participant. The Scheme started in April 2010 and will run indefinitely.

4.2 The aim of the Scheme is to provide an incentive for organisations to reduce their energy use. Organisations that participate must monitor their energy use and purchase allowances for each tonne of CO₂ they emit that falls within the scheme. The more CO₂ an organisation emits, the more allowances it must purchase.

4.3 The published guidance is comprehensive and prescriptive. The scheme managers, the Environment Agency, have stated that 25% of participants will be subject to audit each year.

- 4.4 Participants must report at least 90% of their total carbon footprint emissions as defined by CRC Guidance. The online reporting prevents submission of the reports if the 90% rule is not complied with.
- 4.5 The CRCEES information is input to the reporting website in terms of energy used. The reporting system converts energy to CO₂ emissions by applying conversion factors that are published annually. These are subject to change.
- 4.6 The reporting website uses whole numbers only. The rounding method applied by the Environment Agency differs from most normal practice and leads to minor differences between the reported figures and emissions calculated from the same source information outside the reporting framework. The reporting organisation has no influence over the calculation process.
- 4.7 The initial 29 July 2011 submission deadline for reporting the Footprint and the Annual Reports was met. On 1st August 2011, The Environment Agency informed participants of an opportunity to make modifications to their submissions by 27 September 2011. Modifications were made to the Wirral submission following new information received and updated versions of the two reports were made on the due date. The Footprint and Annual Summary Reports received in confirmatory e-mails are included as Appendix 1 and Appendix 2.
- 4.8 The Footprint emissions report documents the total emissions for the 2010/11 financial year. This provides the baseline for the first phase that runs from 01/04/2010 to 31/03 2013. The Annual report shows the emissions excluding small gas users as provided for in the 90% reporting requirement but including the 10% penalty for energy consumption data that is classified as estimated
- 4.9 The CRCEES has a legal requirement for participating organisations to carry out regular internal audits. An Interim Internal Audit was issued on 26 July 2011 and a Final Internal Audit was issued in October 2011. These are included as Appendix 3 and Appendix 4. Internal Audit has now programmed annual CRCEES audits to comply with the regulations.
- 4.10 As published by the Chancellor of the Exchequer in the March 2011 Budget, the first charges for allowances for CRCEES emissions will be at a rate of £12 per tonne. This figure does not take account of other elements such as the Annual Subsistence Fee. CRCEES guidance has removed references to fixed price and safety valve sale administrative charges during their consultation and comment is not possible on the potential cost implications.
- 4.11 An initial budget provision of £532,000 in the 2012/13 budget was made to cover the additional CRCEES costs. It is calculated that the total cost of compliance for 2010/11 will be £487,583, subject to the EA not introducing additional costs before they issue the invoices. The revised total includes the annual subsistence fee and the annual license cost for the Carbon Counter compliance tool. Details are included in Item 9.0: Resource Implications.
- 4.12 CRCEES allowance charges are based on the amount of energy consumed. If the amount of energy consumed is reduced, then so will the amount of CO₂

emitted and the consequent cost. The CRCEES is an additional mandatory cost that the Council must meet at a time of severe budgetary pressure.

- 4.13 The annual targets set under Wirral's Carbon Budget are aimed at achieving the Corporate Objective of reducing emissions of CO₂ by 60% by 2025. Meeting these targets will reduce the energy use reported for the CRCEES and reduce the allowances that will have to be purchased.

5.0 RELEVANT RISKS

- 5.1 The aim of the CRCEES is to provide an additional incentive to reduce energy use. If this incentive is not made clear to those in a position to influence or directly control energy use, there is a risk that opportunities to reduce energy consumption will be missed.
- 5.2 CRCEES allowance costs are expected to rise. If use of energy is not managed effectively, costs will increase.
- 5.3 Non Compliance with CRCEES carries the risk of penalties including fines. The regulations permit prosecution.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options are relevant since the CRCEES is a mandatory scheme.

7.0 CONSULTATION

- 7.1 The consultation process with Departmental Management Teams will continue in order to address carbon reduction impacts that relate to the Carbon Budget and to demonstrate the links with CRCEES costs.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no direct implications for voluntary, community and faith groups.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 CRCEES regulations required the Council to report emissions and cover costs for the Merseyside Pension Fund and Academy Schools in addition to the various Departments.
- 9.2 It is calculated that the basic cost of complying with the CRCEES will total £487,583 in the 2012/13 financial year, subject to the EA not introducing additional cost elements. This cost provides for purchase of allowances, the annual subsistence fee and the annual license fee for the compliance tool.

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9.3 As required by Minute 416, Cabinet 19 March 2009, the contribution of each Department to the total was calculated using published CRCEES methods and apportioning the annual subsistence and compliance tool license fees according to their proportional contribution to the CO2 annual emission total. Individual site totals were allocated to each department according to the Asset list of 16 February 2011. It should be noted that the emissions reports apply to 2010/11 conditions and costs are allocated according to responsibilities at that time.

9.4 The annual cost of compliance can be reduced if the Council uses less energy and achieves, or exceeds, its annual Carbon Budget targets.

10.0 LEGAL IMPLICATIONS

10.1 Failure to comply with CRCEES regulations may result in legal action.

11.0 EQUALITIES IMPLICATIONS

11.1 There are no discrimination issues.

11.2 Equality Impact Assessment (EIA)

(a) Is an EIA required? No

12.0 CARBON REDUCTION IMPLICATIONS

12.1 The CRCEES is an additional incentive for participating organisations to reduce their carbon emissions by improving energy efficiency.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are no planning or community safety implications.

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APPENDICES

Appendix 1	CRCEES Footprint Report Summary
Appendix 2	CRCEES Annual Report Summary
Appendix 3	Interim Internal Audit Report – 26 July 2011
Appendix 4	Final Internal Audit Report – October 2011

REFERENCE MATERIAL

Statutory Instrument 2010 No 768 “The CRC Energy Efficiency Scheme Order 2010”

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Environment Overview and Scrutiny (Minute 35)	15 January 2008
Corporate Services Overview and Scrutiny (Minute 38)	22 January 2008
Cabinet (Item 416)	19 March 2009
Cabinet – Annual Electricity and Gas Contract Renewal (Item 261)	9 December 2010