

Finance and Resources Committee

10.00a.m, Tuesday, 5 September 2017

Carbon Reduction Commitment (CRC) Annual Report

Item number	7.12
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Wards	

Executive Summary

This report asks the Committee to note the Council's Carbon Reduction Commitment carbon footprint for the financial year 2016/17 and the submission of the data to the Environment Agency in compliance with legislation.

Carbon Reduction Commitment (CRC) Annual Report

1. Recommendations

- 1.1 The Finance and Resources Committee is asked to:-
 - 1.1.1 Note the Council's carbon footprint for the financial year 2016/17;
 - 1.1.2 Note the annual report was submitted to the Environment Agency by the statutory deadline of the end of July; and
 - 1.1.3 Note that the CRC handbook has been subject to its annual review and updated as appropriate.

2. Background

- 2.1 The Carbon Reduction Commitment (CRC) is a mandatory reporting scheme to improve energy efficiency in large public and private organisations. The Council has been required to comply with the CRC since the legislation came into force in 2010.
- 2.2 Organisations that participate are required to monitor their energy use and report their energy supplies annually. An annual report must be submitted by the end of July based on the energy consumed in the previous period from 1 April to 31 March.
- 2.3 The annual report is generated on-line on the Environment Agency website and the final document is then available to download.
- 2.4 To comply with a recommendation from an external audit of the Council's CRC processes, the Corporate Leadership Team approved the content of the annual report on 26 July, prior to its on-line submission.

3. Main report

- 3.1 There are three main energy (gas and electricity) supply categories that the Council must report on under the CRC Scheme. These are:
 - Gas and electricity consumption for Council buildings;
 - Gas and electricity consumption by the Lothian Pension Fund's property portfolio (that qualifies under the rules of the CRC scheme), with these costs being met by LPF; and

- Electricity consumption by street lighting and traffic signals.

- 3.2 The following information will be included in the annual report submission to the Environment Agency:

Council Building Energy Consumption

Source	Consumption (kWh)	Emissions (tCO₂)	Allowances @ £16.10	%of Total Emissions
Electricity	52,178,603	23,433	£377,271	39.0%
Gas	123,633,895	22,764	£366,500	37.9%
TOTAL	175,812,498	46,197	£743,771	76.9%

- 3.3 The 2016/17 reportable CRC emissions for the Council buildings (excluding unmetered supplies and PF) were calculated to be 46,197tCO₂, or 76.9% of total reportable emissions for the Council.

Lothian Pension Fund Property Portfolio

- 3.4 The Council is currently responsible for reporting the emissions associated with the LPF's property portfolio. The energy consumption data has been validated by LPF (Standard Life Investments) and complies with the set validation rules.

Supply	Consumption (kWh)	Carbon (TCO₂e)	Allowances @ £16.10	% of Total Emissions
Electricity	1,075,221	480	£7,728	0.8%
Gas	357,516	66	£1,063	0.1%
TOTAL	1,432,737	546	£8,791	0.9%

- 3.5 LPF's property portfolio accounted for 1,432,737kWh of energy which equated to 546tCO₂ or 0.9% of total reportable emissions for the Council.

Unmetered Supplies

- 3.6 The CRC scheme moved from Phase 1 to Phase 2 in 2014/15. Under Phase 2, all unmetered supplies for non-domestic use must be reported, including street lighting and traffic signals. Following clarification from the Environment Agency, the Council has removed two unmetered supplies relating to Housing Asset Management, on the basis that they can be considered domestic and therefore exempt.

- 3.7 It can be difficult to validate unmetered supplies due to there being no physical meter to read. Instead, consumption is based on a schedule which details number of lamps (or traffic units) and burn hours. The information presented in the schedules allows the Distribution Network Operator (DNO) to work out an estimated energy consumption (EAC) and issue an Unmetered Supply Certificate (USC). The Council's electricity supplier uses the USC for invoicing purposes. The certificates are updated each year to reflect any changes in the schedule.

Supply	Consumption (kWh)	Carbon (TCO _{2e})	Allowances @£16.10	% of Total Emissions
Street Lighting	27,302,580	12,193	£196,307	20.3%
Traffic Signals	2,335,936	1043	£16,792	1.8%
Festival Lighting	143,587	64	£1,030	0.1%
TOTAL	29,782,103	13,300	£214,129	22.2%

- 3.8 Unmetered supply consumptions account for 13,300tCO₂, or 22.2% of total reportable carbon emissions. Street Lighting is the largest contributor of unmetered consumption, representing 20.3% of total reportable emissions for the Council.

Total Energy Consumption

Source	Consumption (kWh)	Emissions (tCO ₂)	Allowances @ £16.10	% of Total Emissions
Electricity	83,035,927	37,213	£599,128	62.0%
Gas	123,991,411	22,830	£367,563	38.0%
TOTAL	207,027,338	60,043	£966,691	-

- 3.9 The 2016/17 reportable CRC emissions for the Council are calculated to be 60,043tCO₂, with 62% of emissions being associated with electricity and 38% associated with gas. The total cost of allowances for 2016/17 is £966,708.
- 3.10 In 2016/17 the Council's CRC footprint was 60,043 tonnes of carbon. In comparison to 2015/16 the annual total emissions for the Council has decreased by 8,564tCO₂ (12%). The decrease in carbon emissions is a result of both a reduction in portfolio size (in terms of energy consumption) and the reduction in carbon emission factors. As the electricity grid decarbonises through the increasing portion

of renewable energy generation, the corresponding carbon emission factor for electricity is falling. The emission factor for electricity in 2016/17 is 10% lower than in 2015/16. Year to year there are minor variations in the carbon content of natural gas depending on the source with a 0.2% reduction observed between 2016/17 and 2015/16.

- 3.11 All energy data is validated, by confirming the accuracy of data sources including meter readings, and carrying out validation checks such as the comparison of consumption with previous year's consumption and with utility supplier statements.
- 3.12 Organisations have two windows in which allowances¹ can be purchased, these being April (forecast sale) with payment due in June, or in September (buy to comply sale). Allowances purchased in April attracted a saving of £1.10 per allowance. Council practice has been to purchase allowances in April, thus generating a saving on the costs of CRC. Unused allowances can be carried forward to the 2017/18 financial year.

	Emissions (tCO ₂)	% decrease
Emissions 2014-15	73,452	
Emissions 2015-16	68,607	6.6%
Emissions 2016-17	60,043	12%
Emissions Reduction (2015/16 to 2016/17)	8,564	

	Allowances	£
Allowances brought forward from 2015/16 (@cost of £15.60 per allowance)	8,710	£135,876
Allowances purchased in April 2016 (@ cost of £16.10 per allowance)	75,740	£1,219,414
Total value of allowances held	84,450	£1,355,290

Allocated as follows:		
Applied to 2016/17 carbon footprint	60,043	£962,337
Carried forward to 2017/18 carbon footprint	24,406	£392,953

¹ One allowance is equivalent to one tCO₂

Cost of allowances at September 2017 prices	£1,032,757
Cost of allowances brought forward from 2015/16 and allowances purchased in April 2016 and applied to 2016/17 carbon footprint	£962,337
Saving through take up of allowances in the forecast (April) sale	£70,420

- 3.13 The Council has several initiatives aimed at reducing its Carbon Footprint. The Council currently has 8,500 high efficiency LED lanterns installed across its street lighting estate, with development underway on an Energy Efficient Street Lighting Programme (EESLP). It is anticipated that this would reduce the electricity consumption for Street Lighting to around 13,810,248 kWh, reducing associated carbon emissions by 5,500 tonnes per annum at current CRC carbon conversion rates.
- 3.14 In Council buildings, a series of projects are underway. This includes the RE:FIT programme, where energy efficiency works are being installed across 9 key Council properties. It is anticipated that this will reduce associated carbon emissions by over 1,200 tonnes per annum at current CRC carbon conversion rates. In addition, the Council is in the second year of a four-year programme to upgrade its Building Energy Management Controls (BEMS). This will deliver fundamental benefits to properties across the estate, including improved control of environmental conditions and energy efficiency savings. It is anticipated that carbon savings in excess of 2,000 tonnes per annum at current CRC carbon conversion rates will be delivered through the programme.
- 3.15 The Council's CRC Handbook was approved on 17 March 2016. It was agreed that the Handbook be reviewed and updated on an annual basis to ensure it is line with current legislation. The Handbook has been updated to reflect the changes outlined in paragraph 3.6 above, and an updated copy is attached at Appendix 1.

4. Measures of success

- 4.1 The submission of the Council's annual CRC report in accordance with CRC timescales.

5. Financial impact

- 5.1 The Council's CRC compliance cost for 2015/16 was £1,070,272 (based on £15.60 per tonne of carbon). The Council's CRC compliance cost for 2016/17 was £962,337. Purchasing allowances as part of the forecast sale and using carried forward allowances from 2015/16 has resulted in a saving of £70,420 in the 2016/17 financial year as outlined in the table in paragraph 3.12 above.
- 5.2 The allowances carried forward purchased at reduced cost to current cost, together with reduced energy consumption, will assist in making further savings in future years.

6. Risk, policy, compliance and governance impact

- 6.1 Governance in relation to compliance with the CRC scheme across the organisation is enhanced in line with the CRC Handbook.
- 6.2 There is a reduced risk of financial penalties for late annual report submission.

7. Equalities impact

- 7.1 There are no equalities impacts associated with the content of this report.

8. Sustainability impact

- 8.1 The impacts of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered. Effective monitoring of energy consumption should lead to informed decision making to reduce the Council's carbon emission footprint.

9. Consultation and engagement

- 9.1 Consultation has taken place with relevant officers in Resources and Place through the CRC working group, which was established to oversee the Council's compliance with the CRC legislation.

10. Background reading/external references

- 10.1 Environment Protection Agency [CRC Phase 2 guidance \(2015\)](#)
- 10.2 CRC Handbook (2016)

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11. Appendices

Appendix 1 – CRC Handbook (2017)

CARBON REDUCTION COMMITMENT HANDBOOK

Paper for: Finance & Resources Committee

Subject: Carbon Reduction Commitment

Document Version: 0.2

Author: Jenny Fausset

Lead Officer, Strategy & Insight

Approved: 17 March 2016

VERSION CONTROL

This document is reviewed annually to ensure it is accurate and up to date.

No.	Version	Date	Initials	Description
1	0.1	17 March 2016	JF	Approved by Finance & Resources Committee
	0.2	5 September 2017	JF	Annual Review

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PURPOSE

The aim of the Carbon Reduction Commitment (CRC) Management Handbook is to communicate the processes, governance arrangements and reporting requirements of the City of Edinburgh Council's compliance with the CRC scheme.

The intended audiences are:

- **For action:**
Identified managers (to supply compliance data, supporting information, audit overview, progress reports etc);
- **For information:**
Corporate Leadership Team, Heads of Service.

The handbook will define clear and simple arrangements that are consistently applied, thus improving the standard of information available for decision making while minimising the amount of time taken up with reporting and project administration.

1. BACKGROUND

The [CRC Energy Efficiency Scheme](#) is a UK government scheme. The scheme came into force in April 2010 under the CRC Energy Efficiency Scheme Order 2010, being replaced by the CRC Energy Efficiency Scheme Order 2013. It is designed to improve energy efficiency and cut carbon dioxide (CO₂) emissions in private and public sector organisations that are high energy users.

The Scottish Environment Protection Agency (SEPA) oversees the scheme in Scotland.

Qualification for the scheme is based on electricity usage. Organisations will qualify if they consumed over 6000 megawatt hours (MWh) of qualifying electricity through settled half hourly meters¹. For the purposes of reporting, electricity and gas (where the gas is used for heating purposes) are the only reportable energy supplies for CRC purposes. For more information on the qualification criteria for electricity and gas please see Page 10 of the [CRC Phase 2 Guidance](#).

The CRC scheme is divided into phases. Phase 2 runs from April 2014 to March 2019. Each phase is divided into compliance years which run from 1 April to 31 March.

The scheme carries significant financial penalties if a qualifying organisation does not:

- Register
- Disclose information on registration
- Submit an Annual Report on time
- Provide accurate information or notifications (in relation to registration or designated change)
- Provide an accurate Annual Report;
- Surrender allowances; and

¹ Such meters are defined in the CRC as performing two functions - measuring electricity supplied to a customer on a half hourly basis for billing purposes and measuring electricity for the purposes of balancing the loads on the grid in respect of the wholesale electricity market.

- Maintain an evidence pack.

More information on penalties can be found in Appendix 1.

2. SCOPE

This handbook will clearly define:

- Key roles and responsibilities as required by the CRC scheme;
- The individual officer with day to day management ownership for the CRC Scheme within the Council;
- Requirements of the scheme around the roles and responsibilities (including management, data provision, audit and report submission);
- Internal pre-submission and post submission reporting requirements;
- Membership of a CRC group and the group's responsibilities;
- Process maps of requirements supported by procedure notes for each role;
- Key stage requirements (milestone calendar) to ensure compliance with the scheme.
- Opportunities/ linkages with carbon reduction projects.

3. GOVERNANCE STRUCTURE

All participants that are eligible for the scheme must register on line with the Environment Agency. Authorised contacts for each organisation must be provided as part of the registration process.

For City of Edinburgh Council the named **authorised contacts** are as follows:

Senior Officer:	Andrew Kerr, Chief Executive Officer
Primary contact:	Peter Watton, Head of Corporate Property
Secondary contact:	Alison Henry, Corporate Finance Senior Manager
Account representative:	Alison Henry, Corporate Finance Senior Manager
Paul Jones	Energy Manager, Corporate Property
Jenny Fausset	Lead Officer, Strategy & Insight
Finance Administrative contact:	Alison Henry, Corporate Finance Senior Manager

The Corporate Finance Senior Manager will oversee day to day management of the Council's compliance with the scheme, and will also take on the role of Finance Administrative contact.

The following key Council officers play a fundamental role in providing data and overview of the process to ensure that the Council is in a position to meet the scheme's reporting requirements. Key duties will be detailed in the **ROLES & RESPONSIBILITIES** section.

- Corporate Finance Senior Manager
- Energy Manager;
- Carbon and Utility Officer;
- Street Lighting and Traffic Signals Infrastructure Manager;
- Data Auditor;
- Lead Officer, Strategy & Insight

These officers will form the core representation on a 'CRC Working Group' internal to the Council. This will be chaired by the Corporate Finance Senior Manager.

CRC WORKING GROUP REMIT

The CRC Working Group will:

- Meet two or three times per year (or more frequently if deemed necessary by the Chair) to ensure that the Council is fully prepared to submit an accurate Annual Report within the timescales of the scheme;
- Ensure that the required resources and levels of support are provided to meet the requirements;
- Escalate key risks and issues to the Corporate Leadership Team (CLT) as appropriate;
- Provide a representative forum to discuss the effectiveness of current Council policies (e.g. energy efficiency policy) to reduce energy consumption in buildings and where additional opportunities may exist.
- Ensure communication and awareness of CRC and its financial impact across all Service Areas.

The dedicated Carbon and Utility Officer will provide administrative support for this group.

The Corporate Finance Senior Manager will report annually to the CLT from which reports will be presented to the Finance and Resources Committee (and/or, when required Corporate Policy & Strategy Committee/Full Council) as appropriate.

CORPORATE LEADERSHIP TEAM RESPONSIBILITIES:

The CLT will have a corporate overview of the scheme. This includes

- Approval of Annual Report prior to submission to the Environment Agency;
- Taking cognisance of the impact of CLT decisions on the Council's CRC footprint; and
- Receiving reports from the CRC working group.

LEGAL ADVICE

Legal advice will be requested from time to time to ensure that the Council is fully complying with its legal duties under the CRC Scheme and keeping abreast of any changes to the CRC Energy Efficiency Scheme Order. The Corporate Finance Senior Manager will liaise with the Council's legal team as and when advice is required.

4. ROLES AND RESPONSIBILITIES

Roles and responsibilities are divided into two categories for the purposes of this Handbook.

Firstly, the roles of the authorised Council contacts as registered on the CRC Registry. The authorised contacts are in place to ensure that there is accountability at the most senior level in the organisation for compliance with the scheme.

AUTHORISED CONTACTS

Senior Officer – Chief Executive Officer

The senior officer has overall responsibility for the organisation's compliance with CRC. This means that:

- enforcement and civil penalty notices will be sent to the senior officer;
- the senior officer authorises the primary and secondary contacts and the single or several account representatives to act on behalf of the organisation;
- the senior officer receives notifications of the submission of Annual Reports, and the order, allocation and surrender of allowances;
- the senior officer receives emails from the administrators with information about the scheme

Primary Contact, Secondary Contact and Account Representative

The primary, secondary and account representative contacts are authorised contacts with delegated responsibility from the Senior Officer. All roles have equal access rights to the CRC Registry. More than one contact is in place to ensure availability of an authorised contact to take the necessary actions within the Scheme deadlines. They can access the CRC Registry to perform the following actions:

- register a CRC account;
- submit Annual Reports;
- notify a designated change;
- change participant equivalent details;
- change primary member/compliance account holder details;
- appoint an agent to act on their behalf; and
- order, transfer and surrender allowances as appropriate.

Currently the Corporate Finance Senior Manager is both the Secondary contact and the Account representative with day to day management of the Council's compliance with the scheme. Should the Corporate Finance Senior Manager not be available the Primary Contact will be the first point of contact.

Finance Administrative Contact

This role is primarily to ensure that the annual subsistence fee is paid. This is £1,290 (2015 fee) and the Council will be invoiced in April annually. The fee will be met from the overall budget for compliance with the scheme. This role is currently with the Corporate Finance Senior Manager.

KEY COUNCIL OFFICERS

Secondly, the following Council officers play a fundamental role in ensuring the City of Edinburgh Council complies with the requirements of the CRC Scheme. Their involvement and input to the scheme is mandatory.

CORPORATE FINANCE SENIOR MANAGER

The Corporate Finance Senior Manager has day to day responsibility for the management of the Council's compliance with the CRC Scheme.

Duties include:

- Chairing the CRC Working Group and escalating key risks and issues to the Corporate Leadership Team;
- Requesting the data required for the Annual Report in March each year;
- Overseeing the financial day to day running of the Council's compliance with the CRC scheme;
- Purchasing, surrendering and paying for carbon allowances within required timescales;
- Sign off the internal audit report prior to the submission of the Annual Report to the Environment Agency;
- Submitting the Council's Annual Report to the Corporate Leadership Team;
- Submitting the Council's Annual Report on-line to the Environment Agency;
- Preparing a financial annual report on CRC for CLT and Finance & Resources Committee annually;
- Overseeing the revision and updating of this handbook every six months;
- Pay the annual subsistence fee; and
- Ensuring that the information relating to the Council's compliance with the scheme on the CRC registry is up to date.

ENERGY MANAGER

The Council's Energy Manager has six key roles with respect to CRC compliance.

The Energy Manager will:

- Collate and validate gas and electricity consumption for Council buildings to be provided as part of the Council's CRC Annual Report;
- Provide a total forecast estimate (by mid-April²) of the following year's consumption to finance colleagues to inform the purchase of forecast allowances;
- Co-ordinate and collate energy data relating to consumption by street lighting, stair lighting, traffic signals and property pension portfolio (that qualifies for CRC) for inclusion in the Council's CRC Annual Report;
- Liaise with the data auditor with respect to an independent audit of the energy data relating to buildings prior to inclusion in the Annual Report;
- Provide the Council's CRC footprint data in a finalised version ready for uploading to the on-line Annual Report template;

² Forecast information will be supplied to the Energy Manager by end of March annually. The Energy Manager will collate all information and provide to Finance colleagues by mid-April.

- Ensure that the Council's CRC Evidence Pack is kept up to date including information on meter breakdowns, change of property ownership, liaison with suppliers, liaison with SEPA, etc. and that this is available for both internal and external auditing purposes.

NON-METERED SUPPLIES

As part of the changes to the CRC scheme in 2014, all non-domestic supplies not covered by street lighting, housing and transport must be reported. In addition, the responsibility for sourcing information and reporting on additional unmetered supplies is the responsibility of Energy Manager.

Therefore the Council's Energy Manager must record in the evidence pack:

- Supply Certificates for unmetered supplies not covered by Housing, Transport or Housing
- Annual or monthly supplier statements detailing consumption for audit trail/evidence pack;
- Consumption data will be validated using the Energy Management System.

Unmetered supplies are part of the Council's wider invoicing and included on the electronic billing files provided by the service providers. These files are imported and processed by the Council's Energy Management System (EMS).

The Energy Manager must be familiar with the detailed requirements of the scheme and to any changes to the legislation that may affect reporting requirements. The Energy Manager will also be familiar with CRC requirements as they apply to the classification of energy supplies, including self-generation, the process employed for estimated reads, number of meter readings required annually etc. More detailed information is available on the CRC website "[CRC Phase 2 Guidance](#)".

CARBON AND UTILITY OFFICER

The Energy Manager manages the dedicated Carbon and Utility Officer. The Carbon and Utility Officer will support the Energy Manager with the key duties outlined above and in particular will:

- Ensure that the authorised contacts on the CRC Registry are up to date;
- Ensure that the Evidence pack content for the current CRC year is regularly updated;
- Ensure that the Evidence pack for previous years is placed in a secure folder and password protected;
- Be the key liaison with other Council officers identified in this handbook on CRC related tasks;
- Co-ordinate the collation of the data required for the Annual Report within timescales to meet legislative requirements;
- Input to the annual revision of the Handbook;
- Support the Corporate Finance Senior Manager with the running of the CRC Working Group.

STREET LIGHTING AND TRAFFIC SIGNALS INFRASTRUCTURE MANAGER

In April 2014, the UK Government included Street Lighting as part of the CRC footprint. The Council is now legally required to report on electricity consumption by Street Lighting.

Therefore, the Council's Street Lighting and Traffic Signals Infrastructure Manager must provide:

- Supply Certificates for all unmetered supplies (excluding festive lighting);
- Annual or monthly supplier statements detailing consumption for audit trail/evidence pack;
- MPANs³, for all relevant supplies; and
- Evidence of validation undertaken.

This information will be requested by the Corporate Finance Senior Manager in **March annually** and should be provided to the Energy Manager by the **end of May**. The Energy Manager will use this information to collate the Council's total CRC footprint. Any delay in receiving this information will result in either delays in finalising the Annual Report (there are significant fines if the Council does not submit its Annual Report within required timescales), or errors in the validation exercise.

In addition, a forecast estimate of the following year's consumption should be provided to the Energy Manager (by **end of March** annually) in order to assist finance colleagues with the purchase of forecast allowances in April.

It is the Street Lighting and Traffic Signals Infrastructure Manager's responsibility to ensure that:

- Street Lighting and traffic light consumption data is provided timeously (there are significant fines if the Council does not submit its Annual Report within required timescales. See appendix 1).
- Street Lighting and traffic light consumption data is validated and that there is an explanation of the validation process accompanying the data;
- The complete street lighting and traffic light footprints are included (there are significant fines for incomplete data);
- Street Lighting and Traffic Lighting personnel liaise with the data auditor in order that an independent audit of street lighting data and traffic light data can be conducted prior to information being included in the Annual Report.
- A forecast estimate of the following year's consumption is provided timeously.

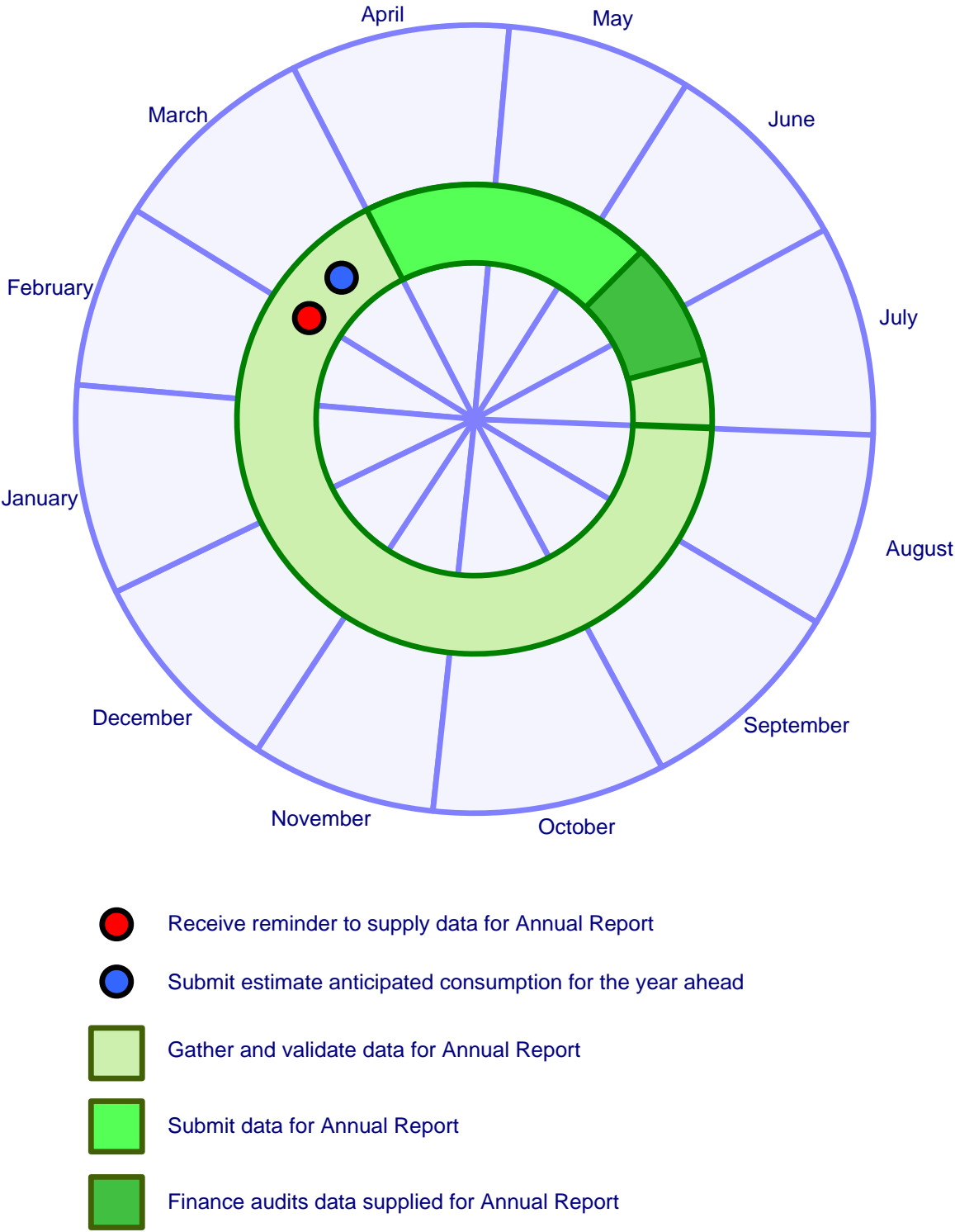
DATA AUDITOR

As noted in the above responsibilities, it is the responsibility of these named officers to liaise with the data auditor to ensure that an independent audit can be conducted prior to information being included in the Annual Report. The Data Auditor role is fulfilled by an Accountant from the Council's Finance division. Further details on this role can be seen on page 11.

³ Meter Point Administration Number (21-digit reference used in Great Britain to uniquely identify electricity supply points)

FIGURE 1 below outlines the key tasks over any 12 month period as it relates to Council officers who provide data.

Figure 1 Data providers' key tasks



FINANCE RESPONSIBILITIES

Finance colleagues have a key role to play with respect to the financial management associated with the scheme and ensuring that the Council meets the reporting timescales necessary to comply with the scheme.

CORPORATE FINANCE SENIOR MANAGER

Key responsibilities are outlined on page 7.

DATA AUDITOR

The Data Auditor role is undertaken by an Accountant within the Finance department. The Data Auditor will:

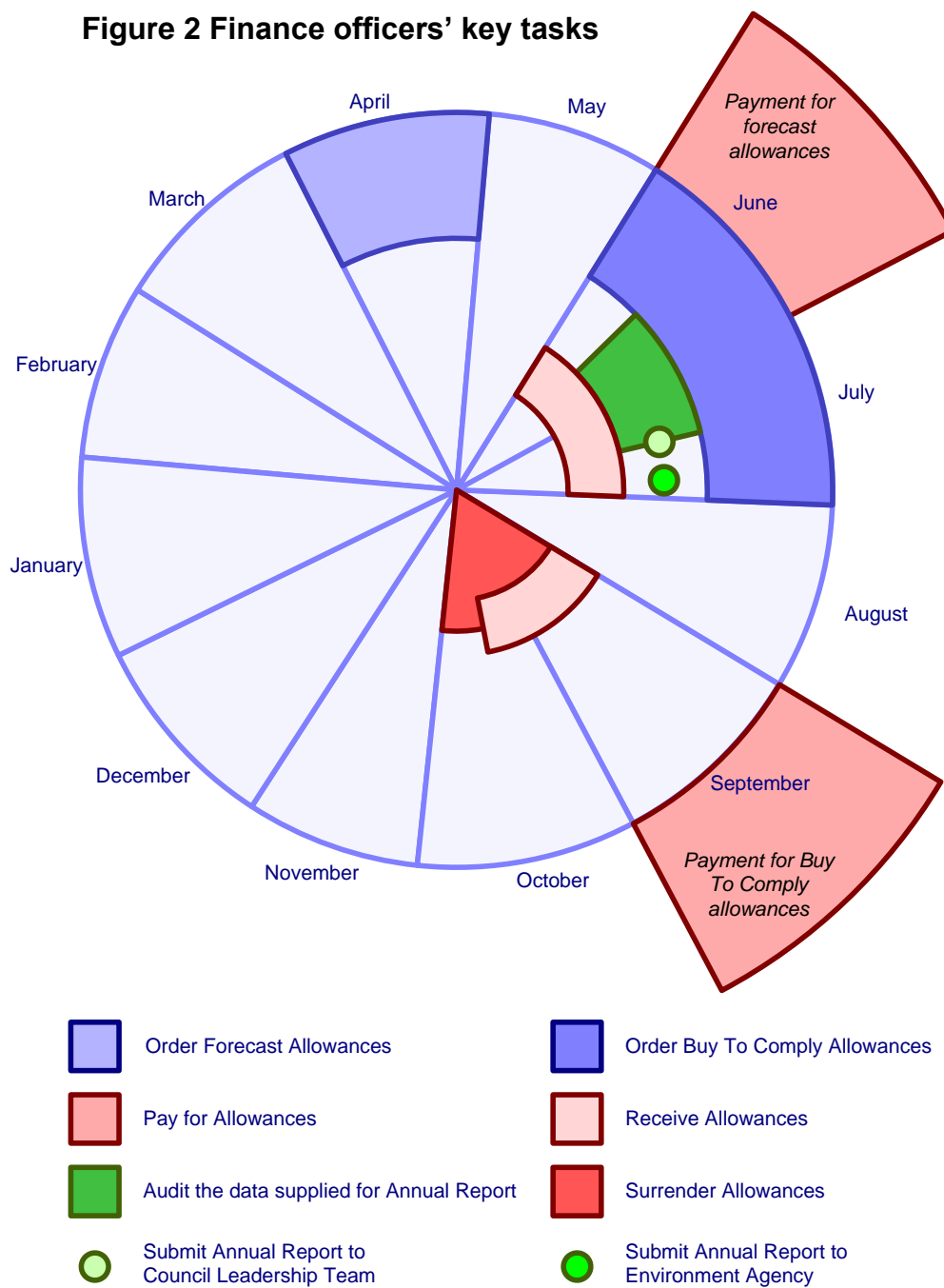
- Audit data (street lighting, traffic signals, unmetered supplies) for the Annual Report prior to being submitted to the Environment Agency;
- Monitor and verify the Evidence Pack structure and content annually;
- Support preparation of a strategy setting out the Council's approach to the purchase of carbon allowances going forward;
- Support the Corporate Finance Senior Manager; and
- Liaise with the Carbon and Utility Officer as appropriate.

Proof that the audit has taken place must be logged in the Council's Evidence Pack annually. Finance officers have been assigned to this task. The audit will include a review of all scheme documentation, verification of a representative sample of source data (provided by the Energy Manager, Street Lighting and Traffic Signals Infrastructure Manager and an independent assessment of progress in addressing recommendations if an external audit has been recently conducted. This audit must take place prior to information being submitted as part of the Annual Report and must be signed off by the Secondary Contact. It should also be made available for external auditing purposes.

The carbon allowance purchasing strategy will take appropriate account of risk and consideration of the financial savings arising from advance purchase with the opportunity cost of interest foregone and/or additional borrowing costs.

Figure 2 overleaf depicts the key Finance-related tasks over any 12 month period.

Figure 2 Finance officers' key tasks



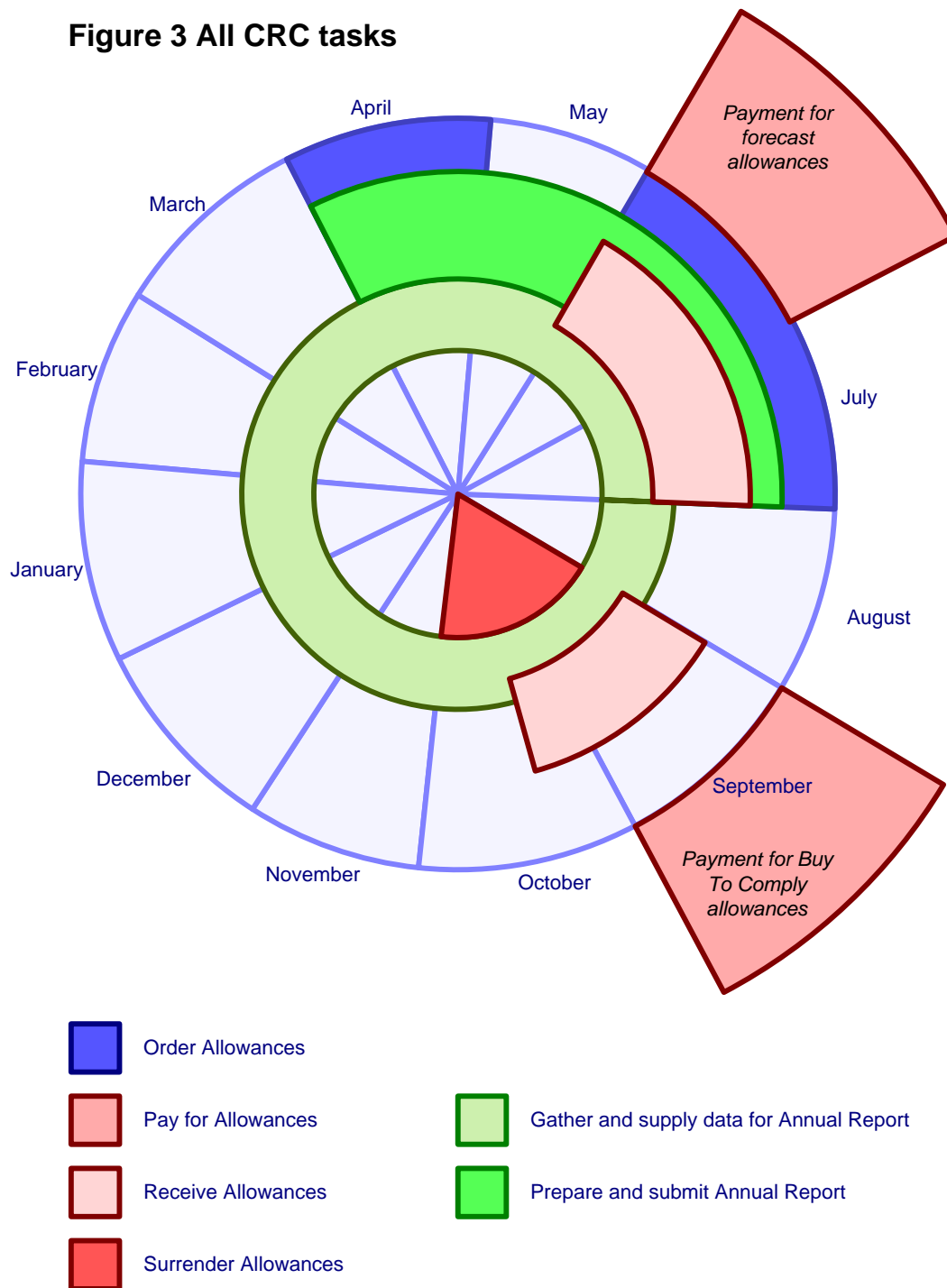
STRATEGY AND INSIGHT OFFICER

An officer from Strategy and Insight Division will ensure that linkages are strengthened between the Council's compliance with the CRC scheme and key Council policies, the Council's carbon management plan and the Council's mandatory reporting requirements under the Climate change (Scotland) Act 2009. The designated officer will attend meetings of the CRC Working Group.

5. SCHEME REQUIREMENTS & KEY MILESTONES

Figure 3 summarises the key milestones and requirements for the scheme over any 12 month period.

Figure 3 All CRC tasks



Each year the Council must order, pay for and surrender allowances to cover its annual CRC emissions as set out in its Annual Report for that year. Table 1 sets out the deadline dates.

TABLE 1: Deadlines for the ordering, payment, allocation and surrender of CRC allowances

Action required	Annual deadline
Order forecast sale allowances	1 April to 30 April
Payment for forecast sale allowances	2 June to 20 June
Allocation of forecast sale allowances	2 June to 15 July
Order buy to comply sale allowances	2 June to 31 July
Payment for buy to comply sale allowances	1 Sept to 19 Sept
Allocation of buy to comply sale allowances	1 Sept to 15 October
Surrender of allowances	Last working day in October

Each year there will be two fixed price Government sales of **allowances** – one forecast sale at the beginning of the year, and one buy to comply sale after the end of the reporting year. The price at the forecast sale will be lower than the price at the buy to comply sale, giving participants an incentive to forecast their emissions before the start of the year and buy allowances in advance. However, participants have the choice to purchase allowances at either sale and also have the option of hedging risks by trading allowances. Forecast sale allowances are valid for all compliance years from the year in which they are sold for the rest of the phase. They are not valid to meet the surrender obligation for previous compliance years.

Buy to comply allowances are valid retrospectively for the compliance year just ended (31 March) and for any subsequent year in the phase.

Finance colleagues will take this into account as part of the Council's Carbon Allowance Purchasing Strategy.

More detailed information is available on the CRC website "[Guidance to Phase 2](#)".

ANNUAL REPORT

Every year before the 31 July, each participating organisation must submit an Annual Report. The Annual Report is completed and submitted on-line. All information relating to the organisation must be up to date on the CRC registry prior to the submission of the report.

An example of an Annual Report is appended for information (Appendix 2).

The Annual Report will be approved by the CLT prior to being submitted on-line by the Corporate Finance Senior Manager.

6. EVIDENCE PACK

To meet CRC record keeping obligations an Evidence Pack must be maintained. The Evidence Pack must contain information that supports and justifies information supplied as part of the registration process and in Annual Reports.

It should also contain information to support any changes to the organisation structure and responsibilities, reporting information, changes that affect data and any excluded uses. The Energy Manager (supported by the Carbon and Utility Officer) will be responsible for ensuring that all information relating to data required as part of the scheme is recorded and filed in the Evidence Pack. Supporting evidence will be reviewed at meetings of the CRC Working Group.

There is no prescribed format that the Evidence Pack must take. The Council has an on-line based Evidence Pack on the G Drive as part of the Energy Management folder structure. The Evidence Pack structure is based on the format as suggested in Table K.1 Page 142 of the [CRC Phase 2 guidance](#)

A separate Evidence Pack folder is established for each year that the Council has been participating in the scheme. Following the surrender of allowances in October annually the Evidence Pack for the corresponding year will be placed in a secure folder and password protected. This will be the responsibility of the Carbon and Utility Officer.

7. RISKS AND ISSUES LOG

CRC is included on the Council's Risk Register. If there is a perceived risk that key milestones are not going to be met and that subsequently the Council will incur financial penalties, the risk will be raised by the Secondary contact with the Departmental Risk Officer in the first instance and escalated to a quarterly Risk Committee if appropriate thereafter. Depending on the level of risk, in consultation with the Risk Officer the risk will be escalated by the Secondary contact to CLT.

8. CRC LINKAGES TO KEY COUNCIL POLICIES, PLANS AND OTHER LEGISLATION

Energy Policy for Council Buildings

This [policy](#) aims to manage energy effectively in Council buildings, stair and street lighting and in doing so reduce the Council's carbon emissions. The effective implementation of this policy will assist in reducing the financial impact of the Council's compliance with the CRC Scheme.

Council's Carbon Management Plan

The [Council's Carbon Management Plan](#) 2015/16 – 2020/21 sets out the Council's actions to reduce carbon emissions by 2020/21 and in doing so meet a 42% carbon reduction target. Reductions will be met through a range of projects including energy reduction, fleet, procurement, waste and behavioural change projects. The effective reduction of energy consumption will reduce the Council's carbon footprint as well where relevant reduce the financial impact of the Council's compliance with the CRC Scheme.

Public Bodies Climate Change Duties (Climate Change (Scotland) Act 2009

In 2015 the Scottish Government enacted powers within the Climate Change (Scotland) Act 2009 to introduce a mandatory Public Bodies Duties reporting requirement. The first mandatory report deadline was 31 October 2016. This report requests details of the Council's governance arrangements with respect to carbon management, carbon emissions reduction projects and carbon footprint year on year.

Service delivery and the impact on CRC

All Service Areas need to be aware of the impact on the Council's CRC liability of decisions taken in the process of service delivery. Awareness of CRC and its close linkage to the energy policy, carbon management plan and mandatory carbon reporting shall be raised through the CRC Working Group.

REFERENCES

Environment Agency September 2015 CRC Energy Efficiency Scheme; [guidance](#) for participants in Phase 2 (2014-2015 to 2018-2019).

APPENDIX 1

CRC penalties

The table below details the civil penalties that can be applied for non-compliance with the CRC Order.

Non-compliance	CRC Order	Penalties
Failure to register	Article 73	<ul style="list-style-type: none"> • Immediate fine of £5,000 for failure to register by the deadline • Further £500 per working day for each subsequent working day of delay up to a maximum of 80 working days; and <ul style="list-style-type: none"> • Publication of non-compliance
Failure to disclose information on registration	Article 73	<ul style="list-style-type: none"> • £500 per meter not reported in the registration; and <ul style="list-style-type: none"> • Publication of non-compliance
Failure to submit an Annual Report on time	Article 74	<ul style="list-style-type: none"> • Immediate fine of £5,000 for failure to report by the deadline; and <ul style="list-style-type: none"> • Publication of non-compliance <p>Where the report is provided no more than 40 working days late, also a fine of £500 per working day for each subsequent working day of delay up to a maximum of 40 working days.</p> <p>Where the report is provided after the last working day of October after the end of the applicable year or not at all:</p> <ul style="list-style-type: none"> • £45,000 fine; • CRC emissions to which the Annual Report relates are double the CRC emissions reported in the previous year's report, or where no such report exists, double the CRC emissions determined by the administrator • The participant must immediately purchase and surrender allowances equal to the CRC emissions (including the doubling) • £40 per tCO₂ penalty for each allowance not surrendered by the deadline (penalty is only applicable to the CRC emissions before the figure is doubled) and <ul style="list-style-type: none"> • Transfer of any allowances to third parties is blocked <ul style="list-style-type: none"> • Publication of non-compliance

		<ul style="list-style-type: none"> If the participant fails to comply with the penalty requirement to purchase and surrender allowances by 31 March after the Annual Report was due and continues in the scheme, the unsurrendered allowances will be added to the surrender requirement for the next year.
Failure to provide Accurate information or notifications (in relation to registration or designated change)	Article 75	<ul style="list-style-type: none"> £5,000 fine; and Publication of non-compliance
Inaccurate annual reports	Article 76	<ul style="list-style-type: none"> £40 per tCO₂ of so much of those supplies or emissions that were inaccurately reported; and Publication of non-compliance <p>‘Inaccurate’ means where any supplies or emissions differ by more than 5% to those that should have been</p>
Failure to surrender allowances	Article 77	<ul style="list-style-type: none"> Participant must immediately acquire and surrender the allowances shortfall £40 per tCO₂ of so much of the emissions represented by the allowances shortfall Transfer of any allowances to third parties is blocked; and Publication of non-compliance <p>If the participant fails to comply with the penalty requirement to surrender sufficient allowances;</p> <p>and</p> <p>continues in the scheme, the shortfall allowances will be added to the surrender requirement for next year.</p>
Later discovered failures to surrender allowances (so long as the error is identified within five years of the submission date for the report containing the error)	Article 78	<ul style="list-style-type: none"> Shortfall allowances will be added to the quantity of allowances required to be surrendered in the next reporting year; and Publication of the non-compliance <p>Where the non-compliant organisation is no longer a participant, a fine is imposed that represents the value of the shortfall allowances. ‘Value’ means the value of the allowances in the most recent sale of allowances before the shortfall was discovered.</p>

Failure to maintain records in respect of the information used to compile an Annual Report or relevant to any designated change	Article 79	<ul style="list-style-type: none"> • £40 per tCO₂ of so much of the CRC emissions of the participant in the Annual Reporting year immediately preceding the year in which the noncompliance is discovered; and • Publication of non-compliance
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Annual report summary

Date Created 24 July 2014

Your details

Phase: 1

Reporting Year: 2013/2014

CRC reference number: CRC7623092

Addressee: Ms Sue Bruce City of Edinburgh Council

Total Participant Electricity and Gas Supplies* (this excludes supplies of gas to an EU ETS installation or CCA facility, and supplies of electricity to a CCA facility)

Fuel source	Actual supply	Estimated supply	Measurement unit	Calculated emissions (tonnes of CO ₂)
Electricity	54,508,783	4,864,158	kWh	32,383
Gas	131,691,690	4,837,603	kWh	25,155

*if you are re-submitting your 2010/11 or 2011/12 report the figures in this box should be your 'Core Electricity and Core Gas Supplies (excluding supplies of gas to an EU ETS installation or CCA facility, and supplies of electricity to a CCA facility)' as defined by the CRC Energy Efficiency Scheme Order 2010

Emissions for annual reporting year 2013/2014

Total CRC Emissions (tonnes of CO₂): 57,538

SGU emissions

SGU name	SGU emissions (tonnes of CO ₂)
City of Edinburgh Council	57,538

Early action metrics

Emissions covered by carbon trust standard or equivalent

Emissions (tonnes of CO₂) Scheme

Emissions covered by voluntary AMR - percentage:

Turnover/ expenditure for report year:

Renewable energy data		
Type	Kilowatt Hours	Tonnes of CO2

Corporate responsibility responses	
Type	Answer
Discloses long term reduction targets	Yes
Discloses performance against long term reduction targets	Yes
Names director responsible for energy use	Yes
Engages employees in reduction of energy use	Yes
Report comments:	

Re-submitted 2010/11 or 2011/12 reports

Residual measurement list fuels (This box will only be populated if you are re-submitting a report for 2010/11 or 2011/12 that includes residual fuels.)				
Fuel source	Actual supply	Estimated supply	Measurement unit	Calculated emissions (tonnes of CO2)

