

## **EAST AYRSHIRE COUNCIL**

### **GOVERNANCE AND SCRUTINY COMMITTEE – 23 SEPTEMBER 2011**

#### **AUDIT SCOTLAND REPORT ON IMPROVING ENERGY EFFICIENCY - A FOLLOW-UP REPORT**

##### **Report by the Executive Director of Finance & Corporate Support**

### **1. PURPOSE OF REPORT**

- 1.1 To provide the Governance and Scrutiny Committee with a summary of Audit Scotland's follow up report on Improving Energy Efficiency in the public sector, to highlight key issues for East Ayrshire Council, and propose a response to the key action points and checklists outlined within the report.

### **2. BACKGROUND**

- 2.1 The Scottish Government has set challenging targets to reduce fossil fuel use and resulting CO2 emissions across Scotland in line with the wider climate change agenda.
- 2.2 The Audit Scotland Report on Improving Energy Efficiency (published December 2010) is a follow up to the original report produced by Audit Scotland in 2008, and re-evaluates the performance of the public sector in improving its energy efficiency.

### **3. IMPROVING ENERGY EFFICIENCY FOLLOW UP REPORT**

- 3.1 The audit re-evaluated the performance of the public sector in improving its energy efficiency. It followed up on the key recommendations from the original report published in 2008, including establishing how prepared public bodies are for the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The key themes of the report are as follows :

#### **Part 1 : Energy Use**

- 3.2 The report concluded that between 2006/07 and 2008/09, there had been little change in the public sector's energy use, but spending on energy had increased over the same period by 21%. With energy prices predicted to continue to rise over the next ten years, continuing to reduce energy use is highlighted to be of key importance to all public sector bodies.
- 3.3. The report also recognised that the Scottish Government has set ambitious targets to reduce greenhouse gas emissions and that public sector bodies are adopting a more strategic role in achieving these targets at a local level. However, the report concludes that public sector bodies as a whole are not reducing emissions at sufficient pace to set a good example or influence others to achieve similar targets.

## Part 2 : Improving Energy Efficiency

- 3.4 The report concluded that the Scottish Government is taking action to help the public sector improve its energy efficiency, but progress has been slow and the impact of this activity is not yet clear.
- 3.5 Public sector bodies are adopting a more strategic approach to improving energy efficiency, including allocating specific staffing resources to energy management and improving the monitoring of energy performance. However, across Scotland it is noted that over 70% of large public buildings are rated as having the poorest energy performance rating and with proposals to reduce future budgets the level of investment available to achieve further improvement will be affected.

## Part 3 : CRC Energy Efficiency Scheme

- 3.6 The CRC Energy Efficiency Scheme has raised the profile of energy efficiency in the public sector, and over half public sector bodies are well prepared for involvement in it. The scheme is aimed at reducing emissions and requires participants to purchase allowances for each tonne of CO<sub>2</sub> emitted. East Ayrshire Council is in the scheme as a result of our level of energy use in the 2008 compliance year.
- 3.7 By exploiting opportunities to reduce energy use, public sector bodies will therefore reduce the costs associated with the CRC Energy Efficiency Scheme which are currently estimated to cost East Ayrshire Council approximately £0.250m. There will also be the direct savings associated with energy costs as consumption falls.

## Key Recommendations

- 3.8 Each key theme includes a number of recommendations for public bodies to implement. Attached at Appendix 1 are details of the key recommendations identified within the report, including details of East Ayrshire Council's corresponding actions and future deliverables.
- 3.9 In addition to the recommendations, the report included a checklist for councillors and non-executive board members in public bodies to consider in relation to how their organisation is improving its energy efficiency. Details of the checklist are attached at Appendix 2, including details of East Ayrshire Council's corresponding actions and future deliverables.

## **4. FINANCIAL / LEGAL / POLICY IMPLICATIONS**

- 4.1 There are no direct financial implications arising from this report. However, it is likely that in order to deliver on the challenging targets for energy emissions set by the Scottish Government, significant levels of investment will be required.
- 4.2 With growing financial pressure facing the public sector it is therefore likely that improving the energy performance of our buildings will prove very challenging.

## **5. RECOMMENDATIONS**

5.1 It is recommended that the Governance and Scrutiny Committee:-

- (i) consider the key findings of the Audit Scotland's report on Improving Energy Efficiency - Follow Up Report as summarised in this report;
- (ii) note the key recommendations for public bodies as outlined in Appendix 1 of this report, and the Council's actions and future deliverables in response to these recommendations;
- (iii) note the checklist for councillors and non-executive board members as outlined in Appendix 2 of this report, and the Council's actions and future deliverables in response to this; and
- (iv) otherwise note the contents of this report.

**Alex McPhee**  
**Executive Director of Finance and Corporate Support**  
**7 September 2011**

### **LIST OF BACKGROUND PAPERS**

- 1. Improving energy efficiency - a follow up report**, Audit Scotland Report prepared for the Accounts Commission (December 2010).

Any person wishing to inspect the above background paper or seeking further information should contact John Viviani, tel.: (01563) 503461.

Implementation Officer : Malcolm Roulston, Head of Corporate Infrastructure.

# Improving energy efficiency

## A follow-up report

Prepared by Audit Scotland – Published December 2010

<b>Recommendations- Public bodies should:</b>	<b>East Ayrshire Council Actions and Future Deliverables</b>
<p>Strengthen the contribution they make to reducing emissions and increase the pace of change</p>	<p>The Council has introduced a number of plans and is developing a number of other initiatives with the specific aim of CO<sub>2</sub> emissions within the authority. These include :</p> <p><b>Currently underway</b></p> <ul style="list-style-type: none"> <li>- Review of Energy Efficiency Measures</li> <li>- Delivering energy efficiency awareness sessions to janitors, teachers and will be extended to include all premises managers.</li> <li>- Energy audit programme</li> <li>- Automated Meter Reader installation programme (due to be completed by the end of 2011)</li> <li>- Community Plan addresses energy as part of the “Delivering Community Regeneration” theme</li> </ul> <p><b>Future Initiatives</b></p> <ul style="list-style-type: none"> <li>- Development of an Energy Strategy, incorporating targets for reducing emissions</li> <li>- Carbon Management Plan (due to be completed November 2011)</li> </ul>
<p>Work with the Scottish Government to implement the actions relevant to the public sector in the Energy Efficiency Action Plan, and report progress to senior management</p>	<p>The Energy Efficiency Action Plan commits the Scottish Government to delivering a series of actions in relation to energy efficiency, which will be translated into local actions to be delivered by each individual public sector body. East Ayrshire Council continues to be committed to implementing any relevant actions as and when these arise.</p>
<p>Ensure they have systems in place to collect accurate data on transport use and resulting CO<sub>2</sub> emissions</p>	<p>Transportation Services current collate and report on relevant data relating to the Council's vehicle fleet, including CO<sub>2</sub> emissions.</p>
<p>Build energy efficiency considerations into asset management and estate rationalisation decisions, involving energy officers or teams wherever possible.</p>	<p>Data from Energy Performance Certificates (EPC) is currently collated for all of our main property assets. This is recorded within the Councils Asset Management System and can be used in conjunction with other relevant data as part of the Councils ongoing commitment to effective asset management. EPC data has already been used to go good effect as part of the works to develop settlement studies and produce localised asset management plans.</p> <p>The Council's Energy team is also represented on capital projects to provide advice and assistance on developing energy efficiency designs for any new buildings.</p>
<p>Build the CRC Energy Efficiency Scheme into their internal audit arrangements, to provide additional assurance to the Scottish Environment Protection Agency's five-yearly external audit.</p>	<p>East Ayrshire Council's Internal Audit Team is represented on the Council's CRC Working Group. Internal Audit's agreed role is to review processes and procedures to ensure data is being collected accurately, and to provide an internal audit certificate validating this.</p>

## Checklist for Councillors and Non-Executive Board Members

### Part 1. Energy use

Issue	Questions for councillors and non-executive board members to consider	EAC Actions and Future Deliverables
Energy use in public sector buildings is estimated to have risen by one per cent over the three years to 2008/09.	What progress is your organisation making in reducing its energy use?	The council has invested significant sums in improvement works including modern heating systems and controls, doors, windows and insulation and new energy efficient buildings both in relation to its public buildings and its council houses.
Annual average reductions in emissions of three per cent are needed across Scotland to meet the target in the Climate Change (Scotland) Act 2009 (reduce greenhouse gas emissions by 42 per cent by 2020 against a 1990 baseline). If the public sector is to set a good example and influence other sectors, it will need to strengthen its contribution and increase the pace of change.	Does your organisation have a plan to reduce its greenhouse gas emissions? What progress is being made?	Yes. The original Carbon Management Plan (CMP) aimed for a 10% reduction in greenhouse gas emissions for the period 2005-2010. This target was exceeded by 1.8%. East Ayrshire Council is currently undertaking the development of a follow-up CMP for the period 2011-2020 as part of its development of an Energy Strategy.

### Part 2. Improving energy efficiency

Issue	Questions for councillors and non-executive board members to consider	EAC Actions and Future Deliverables
Nearly 85 per cent of public bodies have an energy efficiency strategy. Of these strategies, only nine are not supported by an action plan, outlining how objectives and targets to improve energy efficiency will be achieved.	Does your organisation have a written strategy to improve energy efficiency?  Is it supported by an action plan?	The current Carbon Management Strategy is being revised and a new comprehensive Energy Strategy has been drafted. This requires to be reviewed by Strategic Environmental Assessment prior to it being formally considered by the Cabinet..  The Council's Energy Strategy will include an Action Plan.
The majority of public bodies have identified champions at senior management level, to help drive forward measures to improve energy efficiency.	Does your organisation have an energy efficiency champion at senior management level?  How is behavioural change to improve energy efficiency being encouraged throughout the organisation?	Energy Champion and associated governance arrangements will be identified within the Council's Energy Strategy.  Energy awareness seminars are provided by the Council's Energy Team for all services. Council buildings have an Energy Performance Certificate prominently displayed.

Issue	Questions for councillors and non-executive board members to consider	EAC Actions and Future Deliverables
Public bodies are increasingly setting their own targets for improving energy efficiency in their buildings and transport fleet.	<p>Does your organisation have its own target(s) or performance indicator(s) on improving energy efficiency?</p> <p>How is it performing against the target(s)/performance indicator(s)?</p>	<p>The Council has established a target of 2% overall reduction year on year, in addition to a Local Performance Indicator which aims to improve the Energy Performance Certificate rating of our buildings</p> <p>The Energy Performance Certificate (EPC) rating improvement is currently fairly static; however, the investment in our capital programme allied to the recently approved Corporate Office Strategy will result in the EPC ratings improving in the longer term.</p>
Around 85 per cent of public bodies have a system in place to collate information on energy use in their buildings. However, some public bodies lack the necessary staff resources to analyse and use this data effectively.	<p>Does your organisation have a system in place to collect accurate information on energy use in the estate?</p> <p>Is this information being analysed to identify where improvements in energy efficiency can be made, and to calculate CO<sub>2</sub> emissions?</p>	<p>The Council currently uses the STC system for collecting information on energy use within the estate. In addition, the Council is in the process of installing Automated Meter Readers across all Council properties. The CRC scheme will also contribute to further improved procedures and processes being in place to ensure energy use is properly recorded and is complete and accurate.</p> <p>The Council is increasing the staffing levels of the Energy Team as part of the Corporate Infrastructure restructure to meet the challenge of improving energy efficiency.</p> <p>The data from the system is used to analyse consumption, cost and to also report on CO<sub>2</sub> emissions.</p>
Of the public bodies with a vehicle fleet, around two-thirds have a system in place to monitor the fuel consumption of their fleet. The remaining third need to identify ways to collect accurate data on transport use to allow them to assess fully their CO <sub>2</sub> emissions.	<p>Does your organisation have a system in place to collect accurate information on the use of its vehicle fleet?</p> <p>Is this information being analysed and used to improve performance and calculate CO<sub>2</sub> emissions?</p>	<p>SSL Fuel link is used by the Council to monitor and record vehicular fuel usage.</p> <p>The information is used to provide information on fuel usage and consequently CO<sub>2</sub> emissions (using industry standard formulae). Fuel usage savings targets have also been agreed with the Corporate Management Team and are reported on a 4 weekly basis to Heads of Service</p>

Issue	Questions for councillors and non-executive board members to consider	EAC Actions and Future Deliverables
<p>Not all public bodies are reporting energy performance, such as the use and cost of energy, on a regular basis. The Energy Efficiency Action Plan encourages public bodies to report their energy use, and progress in trying to reduce it, regularly.</p>	<p>Is your organisation analysing and reporting information on energy performance (e.g. the use of cost of energy and resulting CO<sub>2</sub> emissions) to senior management level? Is performance reported regularly?</p>	<p>This is to be introduced during 2011/12 as part of the on-going development of the Energy Strategy.</p>
<p>Benchmarks can help public bodies identify areas for improvement by comparing their performance against similar organisations.</p>	<p>Does your organisation benchmark its energy performance against similar organisations?</p>	<p>Benchmarking is currently undertaken on a Pan Ayrshire basis through the Energy Officers Group and also via the National Best Value Benchmarking Scheme.</p>
<p>It is important that public bodies build energy efficiency considerations into refurbishments, new buildings and rationalisation of their estate.</p>	<p>Does your organisation have a policy or strategy in place to ensure that energy efficiency is always considered in any decisions relating to the refurbishment or rationalisation of buildings?</p> <p>Has your organisation put suitable arrangements in place to ensure this strategy is always followed?</p>	<p>Guidance issued by the DTI on sustainable construction is observed. Data from the EPC's are also used in conjunction with other relevant data as part of the on-going development of asset management and have been used to good effect on settlement studies and production of localised asset management plans.</p> <p>The Council's Energy Team is also represented on capital projects to provide advice and assistance on developing energy efficiency designs for any new buildings. .</p> <p>This will be addressed by the Energy Strategy which is currently being developed.</p>
<p>Three-quarters of central government bodies and around two-thirds of councils and NHS boards have procurement strategies stating that energy efficiency should be considered when buying all goods and services. The Sustainable Procurement Action Plan encourages public bodies to put a delivery plan in place during 2010 to ensure sustainable procurement practices are followed.</p>	<p>Does your organisation have a policy or strategy in place to ensure that energy efficiency is always considered when buying goods or services?</p> <p>Has your organisation developed a delivery plan to ensure sustainable procurement practices are followed?</p>	<p>This is included within the Council's Procurement Strategy and will also be addressed in the Energy Strategy</p> <p>This will be determined as part of the implementation of the Energy Strategy.</p>

**Part 3. The CRC Energy Efficiency Scheme**

<b>Issue</b>	<b>Questions for councillors and non-executive board members to consider</b>	<b>EAC Actions and Future Deliverables</b>
Reducing energy use will help public bodies reduce the cost of buying allowances for emissions.	Is your organisation taking action to manage the costs associated with participation in the CRC Energy Efficiency Scheme?	The Council has established a CRC Working Group. Data is being collated to ensure compliance with the scheme and appropriate budget provision for purchasing allowances has been allowed for. This will be a key element of the Energy Strategy
Participants in CRC will be audited by SEPA at least once every five years, from April 2011. As these audits are only every five years, internal audit could provide additional assurance on a more frequent basis.	Does your organisation's internal audit programme include the CRC Energy Efficiency Scheme?	Internal audit are represented on the CRC Working Group and are alert to the issues..