Economic Development and Infrastructure Services Committee

Tuesday, 07 February 2023

SUPPLEMENTARY AGENDA

The undernoted reports have been added to the Agenda for the meeting of the **Economic Development and Infrastructure Services Committee** to be held at **Council Chambers**, **Council Office, High Street, Elgin, IV30 1BX** on **Tuesday, 07 February 2023** at **09:30.**

BUSINESS

2a) **Resolution**

Consider, and if so decide, adopt the following resolution:
"That under Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting for Item 14 of business on the grounds that it involves the likely disclosure of exempt information of the class described in the relevant Paragraphs of Part 1 of Schedule 7A of the Act."

12a) **Environmental and Commercial Services and Economic Growth and Development Services Capital and Revenue Budget Monitoring to 30 September 2022** **3 - 22**

Report by Depute Chief Executive (Economy, Environment and Finance)

12b) **Energy Consumption Action Options and Decarbonisation of Corporate Buildings** **23 - 34**

Report by Depute Chief Executive (Economy, Environment and Finance)

Item(s) which the Committee may wish to consider with the Press and Public excluded

14 **Land at Commercial Road Buckie [Para 8 and 9]**

- Information on proposed terms and/or expenditure to be incurred by the Authority;

Information Reports - Not for Discussion at this Meeting

Any member wishing to call in a noting or information report from one meeting shall give notice to Committee Services at least 48 hours before the meeting for which the report is published. The Notice shall be countersigned by one other elected member and shall explain the reason for call in including any action sought.

Information Report - Public Sector Climate Change Reporting **35 - 42**

Report by Depute Chief Executive (Economy, Environment and Finance)

REPORT TO: **ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 7 FEBRUARY 2023**

SUBJECT: **ENVIRONMENTAL AND COMMERCIAL SERVICES AND ECONOMIC GROWTH AND DEVELOPMENT SERVICES (ECONOMIC DEVELOPMENT) CAPITAL AND REVENUE BUDGET MONITORING TO 30 SEPTEMBER 2022**

BY: **DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

1. REASON FOR REPORT

1.1 To inform the Committee of the current position regarding Environmental and Commercial Services and Economic Growth and Development Services (Economic Development) Capital and Revenue Budgets.

1.2 This report is submitted to Committee in terms of Section III (A) (2) of the Council's Scheme of Administration relating to the consideration of Capital and Revenue Budgets and long term financial plans.

2. RECOMMENDATION

2.1 It is recommended that Committee considers and notes the budget monitoring report for the period to 30 September 2022.

3. BACKGROUND

3.1 The Performance Management Framework 2020 (page 27) requires that progress against Capital and Revenue Expenditure and the Capital Plan is reported to the relevant Service Committee every Committee cycle. Expenditure is reported in the first instance to Corporate Committee (formerly Policy and Resources) quarterly.

3.2 The Capital Plan for 2022/23 was approved by a meeting of Moray Council on 22 February 2022 (para 4 of the minute refers). The current projected expenditure is an estimate that should be treated with caution due to volatile conditions within the Construction Industry and in supply chains of materials.

3.3 Policy and Resources Committee on 10 May 2016 agreed to amendments to the information provided in response to the Audit Scotland report "Major Capital Investment in Councils" (paragraph 7 of the Minute refers). Accordingly this report includes a separate **APPENDIX 4** giving details of expenditure on projects which span more than one financial year.

3.4 The Council recognises five principal drivers for capital expenditure: Legislative requirements, efficiencies or spend to save projects, maintenance of assets and operations at current approved levels, service developments, council priorities. Capital expenditure is funded from three sources: capital grants from Scottish Government and other sources; capital receipts from the sale of assets or from developer obligations; and borrowing. When the Council borrows for capital expenditure, the capital financing charges incurred are met from the revenue budget. Therefore the Capital Plan has a direct impact on the revenue budget and the two are considered jointly at the same budget-setting meeting of Council. The Revenue budget was approved at a meeting of the Council on 22 February 2022 (para 4 of the minute refers). The Council has agreed savings of £1.576 million in 2022/23. The current total Revenue budget for Environmental and Commercial Services is £26.099 million in 2022/23. Any further amendments to the Capital and Revenue budgets are first approved by Corporate Committee or Full Council, depending on the timing of meetings.

4. ENVIRONMENTAL AND COMMERCIAL SERVICES REVENUE BUDGET

4.1 **APPENDIX 1** details the Environmental and Commercial Services Revenue Budget position to 30 September 2022.

4.2 **REVENUE BUDGET POSITION 30 SEPTEMBER 2022**

Annual Budget	Budget Year to Date	Actual &Committed Year to Date	Variance Year to Date
£000s	**£000s**	**£000s**	**£000s**
26,099	10,877	10,661	216

4.3 Environmental and Commercial Services actual and committed budget has an overall Underspend to budget, of £216,000 for the period to 30 Sept 2022. The position is shown in **APPENDIX 1** and summarised in the table below with major variances described in para 4.4 - 4.9 of this report. Underspends or Overspends are against projected budgets for the period only. Variances are further explained in this report. All variances will be monitored closely and reported to Committee as the year progresses.

Position at 30 September 2022

Service	Ref Para	Overspend	Underspend
		£000s	£000s
Fleet Services	**4.4**		130
Engineering Design	**4.5**	79	
Traffic & Transportation Mgt	**4.6**		43
Waste Mgt	**4.7**	40	
Building Catering	**4.8**		147

and Cleaning			
Parks & Open Spaces	**4.9**		19

Explanation of major variances 30 September 2022:

4.4 **Major Variance - Fleet Services**
A total underspend of £130,000 is mainly due to the following variances. Major variances over budget are spare parts £73,000 and under budget items include roads fund licences £25,000, insurance recoveries £16,000 and internal recharges to departments £163,000.

4.5 **Major Variance – Engineering Design**
Overspend of £79,000 on Lossiemouth east beach demolition costs, which was approved to be funded from reserves £80,000. Any underspend on staffing due to vacancies will be offset by external consultants.

4.6 **Major Variance - Transportation**
Underspend of £43,000 is mainly due to Car Park Income favourable to budget by £11,000, harbours income £19,000 favourable and Roads Construction consent favourable by £12,000.
Advertising income was £9,000 below budget and school transport costs were £8,000 over relating to additional service provision during the works at Blackwater bridge.

4.7 **Major Variance - Waste Management** has an overall overspend of £40,000. Main variances are:-

Overspends:
Trade Waste & events income £110,000 - The income shortfall to budget is mainly due to a change in customer behaviour post covid.
Trade waste collected through commercial contracts is based on the volume of waste that is generated in each specific facility. Customers who have reduced their volume of waste production or moved to using more recyclable materials will amend their contracts to reduce their overheads. In doing so, Moray Council retain the customer but the charge for the services provided is reduced due to the reduction or removal of disposal costs
Fuel costs £117,000 over, Leachate £38,000 over budget (landfill site recently capped which leads to increased leachate initially but this is expected to decrease over time). Landfill tax £84,000 overspend.
Underspends
Recycling income and costs are £221,000 favourable to budget. However this is a volatile market and prices for paper/card can change quickly. Green Waste income £18,000 better than budget, Bulky waste/bin income £24,000 better than budget and tipping income £41,000 better than budget, although this is offset via increased landfill tax. Other minor underspends to budget include waste disposal licensing £8,000 and advertising costs £7,000.

4.8 **Major Variance – Building Cleaning and Catering**

Total Underspend of £147,000 comprises of the following variances:
Underspend: Catering has a £191,000 underspend on food costs and supplies. The Catering service has experienced a number of major

challenges over the last couple of years including menu changes due to new nutritional standards, provision of nursery meals, above inflation food prices, universal free school meals expanded to Primary 4-5's. The underspend in food costs and supplies is due to efficiencies of scale for the additional meals for nursery and Primary 4-5 Universal Free School Meals UFSM. The uptake of UFSM is not yet at the projected uptake of 78% and some food prices have not been as high as anticipated. Admin & travel were underspent by £11,000. Catering income £66,000 income shortfall to budgeted target is due to not providing functions to other departments and HQ services, secondary income is still lower then pre covid plus adult meals uptake is low. Free period products underspent by £10,000.

4.9 **Major Variance – Parks & Open Spaces**

The net underspend of £19,000 is due to better than budget income in Burial Grounds. Overspends in Open Spaces relate to higher fuel costs (£30k) but these have been offset by income from the Housing Revenue Account and Flood Alleviation grounds maintenance works. Fuel costs will continue to be monitored as a potential budget pressure.

5. ECONOMIC GROWTH AND DEVELOPMENT SERVICES (ECONOMIC DEVELOPMENT) REVENUE BUDGET

5.1 **REVENUE BUDGET POSITION 30 SEPTEMBER 2022**

Annual Budget 2022/23	Budget Year to Date	Actual & Committed Year to Date	Variance Year to Date
£000s	£000s	£000s	£000s
4,592	1,753	1,629	124

5.2 Development Services - Economic Development, the variance to projection is an underspend of £124,000. Fee income from building standards and planning applications are in aggregate £76,000 above target. Income from street naming and numbering was also favourable by £7,000. Other minor variances across the service make up the balance of the underspend.

6. ENVIRONMENTAL AND COMMERCIAL SERVICES CAPITAL BUDGET TO 30 SEPTEMBER 2022.

6.1 **APPENDIX 2** details the Environmental and Commercial Services Capital Budget position to 30 September 2022 (QTR 2). The total Capital Plan budget of £28.864 million has an actual spend at the end of September 2022 of £5.977 million and a projected spend at end of March 2023 of £29.864 million.

6.2 Expenditure on Lands & Buildings to 30 September 2022 totals £1.193 million. The major items of expenditure to date were £347,000 at Dallachy Landfill site and £757,000 for the Council's contribution of the NESS energy from waste plant – construction phase.

6.3 Expenditure on Infrastructure assets to 30 September 2022 totals £3.169 million. The main items of expenditure were £398,000 on the U82H/ 10

Aldunie Bridge, Cabrach combined Dykeside bridge project. £144,000 was spent on Knockando Bridges and £168,000 on the Lossiemouth Bridge.

£1.608 million was spent on roads resurfacing works throughout the Council area and a further £169,000 on road drainage works.

Other items of expenditure include £137,000 on various Road Safety works and £200,000 on LCTT Speyside Way (grant funded). Work to improve the Junction at the Wards / Edgar Road were predominantly funded by £372,176 of Developer Obligations. This work was completed in August 2022 at a total cost of £382,982. As such, none of the Developer Obligation funding will be returned to the developer.

6.4 Expenditure on vehicles, plant and equipment to 30 September 2022 was £1.615 million, the main item of expenditure being £1.384 million on the Vehicle & Plant Replacement Programme, a significant proportion of which is slippage from 2021/22 due to the current lead time for the delivery of vehicles. £69,000 was spent on Children's Play Areas; £52,000 was spent on car charge point upgrades and £53,000 on Domestic & Trade Waste Bins and £19,000 on Gull Proof Bins.

6.5 **APPENDIX 3** shows the projects within the Capital Budget with a summary of the ratings estimated by budget managers.

6.6 Budget managers have been requested to update projected estimates of expenditure on capital projects in 2022/23. Projects are marked red/amber/green. This column represents an assessment of projected expenditure at end of year - with green being a high confidence level of expenditure close to projected expenditure for the total of the year, medium confidence as amber and low confidence as red. There are various unknowns surrounding the impact that the situation in the wider construction industry and in supply chains will have and this is reflected in the value of projected expenditure in amber and red. A summary of the ratings is given in the table below.

6.7

Risk status	**RAG**	**No. of projects**	**Projected expenditure 2022/23 £000s**
High confidence of spend to estimate	G	56	19,725
Medium confidence of spend to estimate	A	8	8,019
Low confidence of spend to estimate	R	4	1,051
		61	**28,795**

6.8 A red status highlights areas where there is low level of confidence in estimated expenditure. The following have been identified by budget managers as having a **Red** status:

Project	Capital Plan £000s	Projected Expenditure 2021/2022 £000s	Projected Variance 2021/2022 £000s
Infrastructure			
U117H/10 Bridge of Slateford Tomnavoulin	16	16	0
U82H Aldunie Bridge, Carbrach/ Dykeside Bridge	450	485	(35)
U118E/10 Shougle Bridge	589	550	39
Roads -Kerb Edge replacement	25	0	25
TOTAL	**1,080**	**1,051**	**29**

6.9 Three bridge projects are currently predicting a status of red (Bridge of Slateford, Aldunie Bridge/Dykeside Bridge and Shougle Bridge). Current construction industry inflation, along with complex negotiations with land owners are contributing to this status.

6.10 A lack of staff resources with the Roads service has impacted on priority to identify locations for kerb edge replacement works. The budget has been reduced by £25,000 and a further review will be carried out when preparing the monitoring for quarter 3.

6.11 **Amber Rating**

An amber rating of confidence to spend budget highlights areas where there are issues impacting on the ability to project spend – generally indicating factors outwith the budget managers control. The following have been identified by budget managers as having amber status:

Project	Capital Plan £000s	Projected Expenditure 2022/23 £000s	Projected Variance 2022/23 £000s
Land & Buildings			
Park & Open Spaces Infrastructure	140	140	-
Infrastructure			
Street Lighting – Replacement Columns and Lights	800	800	-
Bridges (2 projects)	3,820	3,046	774
Footways	250	250	-
Vehicles, Plant & Equipment			
Vehicle & Plant Replacement Programme	3,531	3,531	-
Children's Play Area Equipment	253	253	-
TOTAL	**8,794**	**8,020**	**774**

6.12 Capacity issues in the Land and Parks team have seen delays in progressing Parks Infrastructure projects.

6.13 Staff vacancies within the Roads Service are impacting on plans for footways projects and street light column replacements. Bridge projects for a new Craigellachie Bridge and Boat O Brig Bridge at Orton are both classed as amber based on tender returns and construction industry inflation.

6.14 The lead time for vehicle replacements is very long due to issues with the supply of small components to complete vehicles and there is therefore a high degree of uncertainty as to when vehicles will be delivered. There is a similar situation with regards to Play Area Equipment.

6.15 Details of the projected variances as at September 2022 from the current approved capital programme, summarised in **APPENDIX 3,** is set out below:

Description	**Ref**	**Underspend /(Overspend) £000s**
Infrastructure		
Bridges	6.16	864
Kerb Edge Replacement	6.17	25
Wards Road Junction Improvements	6.18	(118)
Vehicles, Plant & Equipment		
Gull Proof Bins	6.19	(2)
Replacement Household Waste and Recycling Centre (HWRC)	6.20	300
TOTAL		**1,069**

6.16 **Bridges**

A941 New Craigellachie Bridge – Tenders have been returned for this project and were lower than budget. At this stage it is projected that the project will cost £3 million, currently £786,000 less than budget.

A941/100 Blackwater Bridge – The original budget for this project was £613,000 and the anticipated cost is £400,000 which includes a risk allowance of £100,000 to allow for any unforeseen circumstances that may occur.

Boat O Brig Bridge Orton – There is a budget of £4,000 for design and preparatory work in 2022/23, with construction planned for 2023/24. An alternative solution has been identified that will cost a total of £15,000, which is significantly less expensive than the original two stage solution.

Aldunie Bridge Cabrach/Dykeside Bridge – The original budget, partly funded by Lifeline Bridges Funding was £571,000. This project has been completed at a total cost of £485,000.

U118E/10 Shougle Bridge – Tender has been awarded and costs are projected to be £550,000 versus a budget of £589,000. Final compensation has yet to be agreed with landowners and this could increase costs.

Knockando Bridges – This project is now complete and with a slight overspend of £14,000 due to remedial works that were required to address a safety issue with the new parapet alignment.

6.17 **Kerb Edge Replacement –** Lack of staff resources within the Roads Service has meant that work to identify locations for kerb edge replacement works has been unable to be carried out and an underspend of £25,000 is currently projected at this stage of the year. A further review will be carried out when preparing the monitoring for quarter 3.

6.18 **Wards Road Junction Improvements –** During construction of the project a number of design reviews led to additional work being undertaken in terms of cable ducting and lighting for bollards, accommodation works for the adjacent development and construction depths.

6.19 **Gull Proof Bins –** This heading will overspend by £2,000 due to an increase in the unit price of bins.

6.20 **Replacement HWRC Elgin –** A land assessment is currently underway for the construction of a new HWRC for Elgin. Some sites have been identified as suitable for the project and within budget. However, if the land in question is not purchased, another assessment will be required and costs could change significantly. The sites under consideration are commercially sensitive.

7. RISK AND EMERGING ISSUES

7.1 Budget managers have been requested to identify any specific areas of risk for the projects in the Capital Plan for which they are responsible.

7.2 As reported to Economic Growth, Housing and Environmental Sustainability Committee on 24 August 2021 (paragraph 7 of the minute refers) a risk to the capital plan is an increase in the cost of materials and scarcity of many materials which are key for the construction industry. Scotland Excel have informed the Council of unavoidable increases to costs on four of their frameworks and some key materials such as concrete, wood and steel are currently difficult to source and costlier if they are available. This is partly a world-wide reaction to the pandemic, and partly due to Brexit, and the war in Ukraine is also having an impact. The construction industry is also over-heated and some recent procurement exercises have stalled. The Strategic Territory Partnering Board are also monitoring market volatility.

7.3 There is a risk that contract inflation might increase the eventual cost of projects in future years of the capital plan and a risk that any deferment of projects relating to asset condition might result in element failure, potentially incurring unbudgeted costs.

7.4 The main risk for the vehicle replacement programme is manufacturers failing to deliver to agreed timescales and this risk is heightened at this time due to the shortage of semi-conductors.

7.5 Projects can be subject to risks which are outwith the direct control of the Council. Poor weather conditions can impact project timescales.

7.6 Lack of staff resources and staff turnover can impact on project timescales and other emerging work priorities can impact in scheduled works and this is reflected in delays where work planned to be out-sourced is being brought in-house as a result of poor response to tender requests. Poor responses to tender requests are an increasing phenomenon and work is on-going with organisations such as Hubco to attempt to improve market engagement, as well as support from the Procurement team to engage local suppliers and contractors. Lack of staff resources is a more intractable problem and current recruitment difficulties, coupled with additional funding stream with short time envelopes for spend, which adds pressure to staff workloads, is creating difficulties.

7.7 There is a risk that time-limited funding is not spent within time-frame and that the Council therefore loses the opportunity to improve or create assets at no or reduced cost to the Council.

7.8 No other project risks have been specifically identified by budget managers.

8. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan, (Local Outcomes Improvement Plan (LOIP))

Effective budget management is an essential component of delivery of Council priorities. The capital plan is one of the vehicles through which the Council's priorities can be delivered. The approved capital plan for 2022/23 and the outline ten year plan incorporates measures designed to address the LOIP priorities of building a better future for our children and young people, empowering and connecting communities and developing a diverse, inclusive and sustainable economy

(b) Policy and Legal

There are no policy or legal implications arising directly from this report

(c) Financial implications

The financial implications are highlighted within the report and detailed in **APPENDICES 1** – **4.**

Environmental and Commercial Services revenue spend to 30 September 2022 is £10.661 million against a budget to end September of £10.877 million giving an underspend of £216,000. The annual revenue budget for 2022/2023 is currently £26.099 million.

Economic Growth and Development Services – (Development Services) Revenue spend to 30 September 2022 is £1.629 million against a budget year to date of £1.753 million giving an underspend variance of £124,000. The annual revenue budget for 2022/2023 is currently £4.592 million.

Environmental and Commercial Services - Capital spend is £5.977 million to 30 September 2022.

(d) Risk Implications

Budget managers are aware of their responsibilities for managing budget allocations and approval for variance will be sought from Committee in line with the Financial Regulations.

(e) Staffing Implications

There are no staffing implications arising from this report.

(f) Property

There are no Property implications arising from this report.

(g) Equalities/Socio Economic Impact

There are no equalities implications arising from this report because the report informs the Committee on budget monitoring.

(h) Climate Change and Biodiversity Impacts

There are no climate change or Biodiversity impacts arising from this report,

(i) Consultations

This report has been prepared in consultation with Depute Chief Executive (Economy, Environment & Finance), Head of Environmental and Commercial Services, Head of Economic Growth and Development Services, Chief Financial Officer, Legal Services Manager, Committee Service Officer (Lissa Rowan) and Environmental and Commercial Services Management Team and Budget Managers. Any comments have been taken into consideration.

9. CONCLUSION

9.1 This report sets out the budget monitoring position and comments on variances for the Environmental and Commercial Services and Economic Growth and Development Services (Economic Development) Capital and Revenue Budgets for the period to 30 September 2022.

Author of Report: Nichola Urquhart, Quality Management Systems Officer

Background Papers:

Ref: SPMAN-524642768-832

APPENDIX 1

ENVIRONMENTAL AND COMMERCIAL SERVICES - REVENUE BUDGET PROGRESS PERIOD TO 30 SEPTEMBER 2022 (QTR 2)

Service	Annual Budget	Budget to date	Actual & Committed YTD	Variance to date
	£000s	£000s	£000s	£000s
Fleet Services	-1,950	-1,061	-1,191	130
Engineering Design	1000	389	468	-79
Roads Management	4,335	1,490	1,488	2
Traffic & Transportation Mgmt	5,667	2,192	2,149	43
Waste Management	8,210	3,465	3,505	-40
Building Cleaning & Catering	6,808	3,193	3,046	147
Parks & Open Spaces	1,468	687	668	19
Env& Com Services Admin / Suppt Svs /H&S	458	222	219	3
Emergency Planning	60	12	13	-1
Env & Com Services Covid 19	231	208	217	-9
Staff Saving Targets	-309	0	0	0
Direct Services Directorate	181	92	92	0
Total Env & Com Services	**26,099**	**10,877**	**10,661**	**216** UNDERSPEND

APPENDIX 2

APPENDIX II ENVIRONMENTAL AND COMMERCIAL SERVICES - CAPITAL BUDGET PROGRESS – PERIOD TO 30 SEPTEMBER 2022

Service Description	Total Number of Projects	Current Capital Plan Budget 2022 - 2023	Actual & Committed to 30 Sept 2022	Total Projected Expenditure 30 March 2023
		£000s	£000s	£000s
Vehicle Plant and Equipment	13	4,969	1,615	4,671
Lands and Buildings	9	9,575	1,193	9,575
Infrastructure	40	15,320	3,169	14,549
Total	**62**	**28,864**	**5,977**	**28,795**

APPENDIX 3

CAPITAL PROJECTS 2022 / 2023
As at 30 September 2022

	Current Capital Plan 2022/23	Actual to 30 Sept 2022 (QTR 2)	Total Projected Expenditure 2022/23	Projected Variance	RAG	Service
	£000	£000	£000			
LANDS AND BUILDINGS						
Cemetery						
Cemetery infrastructure (paths, walls, railings, signage)	70	32	70	0	G	**Environmental Protection**
Cemetery Provision – Elgin, Lossiemouth, Keith	60	20	60	0	G	**Environmental Protection**
Contribution to the cost of a new Mortuary	160	0	160	0	G	**Environmental Protection**
Parks & Open Spaces						
Paths, car parks, steps, walls, fences, signage	140	5	140	0	A	**Environmental Protection**
Waste Management						
Dallachy Landfill site – new calls, capping & reinstatement	906	347	906	0	G	**Environmental Protection**
NESS energy from waste – construction phase	7,777	757	7,777	0	G	**Environmental Protection**
Moycroft	0	0	0	0	G	**Environmental Protection**
Transportation						
Replace waterproof and expansion joints at multi-story car parks and lighting, car park resurfacing	430	0	430	0	G	**Transportation / Consultancy**
RTIF Rural Tourism Infrastructure Fund (Fully Funded by Grant Funding)	*32*	*32*	*32*	*0*	G	***Transportation / Consultancy***
TOTAL - LANDS AND BUILDINGS	**9,575**	**1,193**	**9,575**	**0**		

CAPITAL PROJECTS 2022 / 2023 (Continued)
As at 30 Sept 2022

	Current Capital Plan 2022/23	Actual to 30 Sept 2022 (QTR 2)	Total Projected Expenditure 2022/23	Projected Variance	RAG	Service
	£000	£000	£000			
INFRASTRUCTURE						
Bridges						
A941/ New Craigellachie Bridge	3,786	7	3,000	786	A	Consultancy
A941/100 Blackwater bridge, lower Cabrach	500	11	400	100	G	Consultancy
A941/340 New Bishopmill Bridge	10	1	10	0	G	Consultancy
B9103/100 Boat O Brig Bridge, Orton	4	0	15	(11)	A	Consultancy
Remote footbridges	50	0	50	0	G	Consultancy
U117H/10 Bridge of Slateford / Tomnavoulin	16	5	16	0	R	Consultancy
U170E/20 Kirkhill Drive, Lhanbryde	30	5	30	0	A	Consultancy
U173E/Lea Brige Forres	10	0	10	0	G	Consultancy
U82H/10 Aldunie Bridge, Cabrach / Dykeside	450	8	485	(35)	R	Consultancy
U118E/10 Shougle Bridge	589	8	550	(39)	R	Consultancy
Knockando Bridges	130	144	144	(14)	G	Consultancy
MacDowall Bridge	10	0	10	0	G	Consultancy
Lossiemouth Bridge	60	168	60	0	G	Consultancy
Arthurs Bridge	0	0	0	0	G	Consultancy
Principal Bridge Inspections	245	0	245	0	G	Consultancy
Flood Risk Management and Coastal Protection						
Elgin Flood Alleviation Scheme	149	5	149	0	G	Consultancy
Findhorn Flood Alleviation	0	3	0	0	G	Consultancy
Coastal change adaption	0	4	0	0	G	Consultancy

CAPITAL PROJECTS 2022 / 2023 (Continued)
As at 30 Sept 2022

	Current Capital Plan 2022/23	Actual to 30 Sept 2022 (QTR 2)	Total Projected Expenditure 2022/23	Projected Variance	RAG	Service
	£000	£000	£000			
INFRASTRUCTURE						
Harbours						
Power Upgrade – Buckie Harbour	500	0	500	0	G	**Consultancy**
Replacement of life expired elements and upgrade	374	6	374	0	A	**Consultancy**
Burghead Groyne	250	0	250	0	G	**Consultancy**
Findochty sink hole	195	0	195	0	G	**Consultancy**
Findochty Pontoons	50	0	50	0	G	**Consultancy**
Buckie Harbour ice plant	18	0	18	0	G	**Consultancy**
Economic Development	0	5	0	0	G	**Consultancy**
Road Improvements						
A95 Landslip River Isla	1,199	0	1,199	0	G	**Consultancy**
Carriageway resurfacing / reconstruction/ surface dressing	3,617	1,608	3,617	0	G	**Roads Maintenance**
Drainage and other works	400	169	400	0	G	**Roads Maintenance**
Footways	250	23	250	0	G	**Roads Maintenance**
Kerb Edge Replacement	25	0	0	25	A	**Roads Maintenance**
Timber Traffic	180	0	180	0	R	**Roads Maintenance**
Street Lighting						
Replacement Columns and Lights	800	5	800	0	A	**Roads Maintenance**
LED Lighting	213	6	213	0	G	**Roads Maintenance**
Road Safety						
Disability Adaptions	76	28	76	0	G	**Transportation**
New Road Signs and Markings	58	21	58	0	G	**Transportation**
Road Safety Barrier Provision	195	60	195	0	G	**Consultancy**
Road Safety Provision	135	0	135	0	G	**Transportation**
CWSR	613	28	613	0	G	**Transportation**

CAPITAL PROJECTS 2022 / 2023 (Continued)
As at 30 Sept 2022

	Current Capital Plan 2022/23	Actual to 30 Sept 2022 (QTR 2)	Total Projected Expenditure 2022/23	Projected Variance	RAG	Service
	£000	£000	£000			
INFRASTRUCTURE						
Traffic						
Wards Road Junction Improvements	133	251	251	(-118)	G	**Transportation**
LCTT Speyside Way	0	200	0	0	G	**Transportation**
TOTAL - INFRASTRUCTURE	**15,320**	**3,169**	**14,549**	**771**		

VEHICLES PLANT & EQUIPMENT						
Vehicle & plant replacement Programme	3,531	1,384	3,531	0	A	**Roads Maintenance**
Facilities Management Equipment	13	2	13	0	G	**Environmental Protection**
Children's Play Areas (Parkland)	253	69	253	0	A	**Environmental Protection**
Car charge Point Upgrades	0	52	0	0	G	**Roads Maintenance**
Waste Management						
Domestic & Trade Waste Bins	100	53	100	0	G	**Environmental Protection**
Gull Proof Bins	22	19	24	(2)	G	**Environmental Protection**
Replacement HWRC	800	5	500	300	G	**Environmental Protection**
Upgrade of containers at Recycling Centres	20	0	20	0	G	**Environmental Protection**
Upgrade of Recycling Centres	0	0	0	0	G	**Environmental Protection**
Chemical Waste Disposal Points	15	5	15	0	G	**Consultancy**
Traffic						
Orchard Road Signal	192	26	192	0	G	**Transportation**
Traffic Data Collection Equipment	7	0	7	0	G	**Transportation**
Traffic Signal replacement	16	0	16	0	G	**Transportation**
TOTAL - VEHICLES PLANT & EQUIPMENT	**4,969**	**1,615**	**4,671**	**298**		

APPENDIX 4

Major Capital Projects spanning more than 1 financial year (as at 30 September 2022)

Description	Approved Budget	Total Expenditure in previous financial years	Current 2022-23 Budget	Actual spend to 2022-23	Remaining Budget 2022-23	Project Life Spend to 31/03/22	Projected Future Years Budget Required	Estimated Final Cost	Projected Budget Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
LED Street lighting replacement programme	5,000	3,904	213	5	208	3,909	883	5,000	0
NESS Energy from waste	27,224	19,619	7,605	757	6,848	20,376	0	27,224	0
Total	**32,224**	**23,523**	**7,818**	**440**	**7,378**	**23,963**	**883**	**32,224**	**0**

REPORT TO: **ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 7 FEBRUARY 2023**

SUBJECT: **ENERGY CONSUMPTION ACTION OPTIONS AND DECARBONISATION OF CORPORATE BUILDINGS**

BY: **DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

1. REASON FOR REPORT

1.1 To seek committee authority to progress with appropriate actions to reduce energy consumption in our Corporate Buildings in the short term and note longer term projects which will be developed and brought back to committee as appropriate.

1.2 To apprise Committee of the proposed methodology for phasing the decarbonisation of Moray Council Buildings, taking account of current financial resources and corporate priorities.

1.3 This report is submitted to Committee in terms of Section III (F) (33) of the Council's Scheme of Administration relating to the monitoring of the Council's Economic Development and Infrastructure Services.

2. RECOMMENDATION

2.1 It is recommended that Committee:

(i) approve the further reduction in the heat set point within our properties to 18 degrees which coincides with the school Easter break;

(ii) instruct officers to progress the development of spend to save energy proposals (LED lighting and Solar PV) which will be presented to future meetings of the Asset Management Working Group for approval, subject to payback period for each project;

(iii) notes the link between energy consumption, decarbonisation strategies and the ongoing development of a Heat in Buildings Strategy;

(iv) notes the financial challenges arising from the conversion of our property estate to non-carbon based heating systems and the proposed methodology for determining affordability and value for money in appraising options in the interim; and

(v) notes that officers will prepare detailed information to assist the budget setting process as outlined in paragraph 5.7.

3. BACKGROUND

3.1 There is a significant budget pressure in relation to future energy budget. The annual energy report in November 2022 indicated increase in consumption for financial year 2021/22 which resulted in increased costs. With increases in wholesale utility prices, significant increases in energy costs are anticipated for this financial year and next. Due to the way our energy is purchased, this year's increased costs have not been as marked as domestic increases due to our unit price being fixed at April 2022, with the overall increase circa 50%. Consequently future wholesale cost reductions may take longer to feed through to unit cost for the Council.

3.2

	2021/22 Actual Spend	2022/23 Projected Outturn	2023/24 Estimated Spend
Electricity	£ 2,209,147	£2,643,778	£4,044,980
Gas	£ 688,094	£1,783,450	£1,926,126
Biomass & Oil	£ 315,442	£ 447,234	£ 496,430
Total	£ 3,212,683	£4,874,462	£6,467,536

The above table shows the estimated cost for this financial year and the following financial year. It should be noted that this is an estimate based on 2021/22 consumption using the best available price information at time of writing. There will be further price guidance from Scottish Procurement in late January/February and the actual price will be confirmed in late March. The actual spend will potentially vary greatly depending on building use and performance, as well as the weather.

3.3 It is our understanding that the cost of energy will continue to rise until 2025 and remain high. The pre-2021 winter average was £50/MWh. Prices are expected to rise to £150/MWh in winter 2025 and will remain in excess of £100/MWh annually until 2030 and beyond.

4. REDUCING ENERGY CONSUMPTION

4.1 The costs of energy are directly linked to our consumption, although it should be noted that, as with domestic energy, we pay a standing charge which has

also increased significantly and is outwith our control. Energy consumption can be reduced either by the introduction of energy efficiency measures, behavioural changes and by closing or changing how buildings are occupied.

LED Lighting

4.2 The table below shows an example LED replacement project at Lhanbryde Primary School.

Lhanbryde Primary School LED Replacement Project			
Project Capital Cost	2023/24 Savings	Payback Period Years	Annual Kg CO2e Savings
£37,600	£5,269	5.7	4,688

4.3 The table above shows how a modest investment could provide some savings. This is a straightforward intervention which could be undertaken relatively quickly.

4.4 The costing above has been calculated by officers in conjunction with suppliers. However, the exact final cost would have to be determined following quotes from contractors or by competitive tendering.

4.5 It should be noted that fluorescent light fittings are being phased out by 2027 and therefore all fluorescent light fittings will need to be replaced over the coming years. If the costs of the above project are extrapolated out across the Learning Estate using a basic floor area calculation, the cost of LED replacement will be in the region of £2 million for the entire Learning Estate.

4.6 LED replacement in the council's office space potentially gives greater savings as, in general, the lights are operational for longer than in schools. Modern controls and sensors that detect occupancy will give more savings, especially given the increased transitory occupation of our office space.

4.7 The initial investigation and design work to replace the lighting in the corridors and stair wells of Council HQ has begun. As an example of the savings to be made in offices, lights in the HQ entrance hallway were changed in October 2022. The payback period for these is under two years.

4.8 External lights, there are opportunities for replacing external, car park and playing fields. For example, there are quotes being obtained for replacing the lights in the HQ Annexe car park. This is likely to cost around £5,500 and will have a payback period of around two years. Officers are assessing the external lighting across the estate to establish the scope of what will require replacing. In the meantime as opportunities arise projects will be considered individually and business cases conveyed to Asset Management Working Group.

Solar PV

4.9 There are opportunities to make revenue and carbon emissions savings by installing Solar PV on the roof tops of buildings. Officers have costed an

example of such a project for Bishopmill Primary School and it is detailed in the table below.

Bishopmill Primary School Solar PV Project			
Project Capital Cost	2023/24 Savings	Payback Period Years	Annual Kg CO2e Savings
£30,000	£5,277	5.7	5,600

4.10 We have received an estimate for roof top solar on the HQ building. At this stage, it does not contain some of the labour elements of the cost. It would likely cost a similar amount to that of the example of Bishopmill Primary School and deliver similar savings.

4.11 Solar PV projects of this size require permission from the Distribution Network Operator (DNO) which is SSEN in Moray. This is done through a G99 application, a process that can take three months. These kind of projects are likely to be approved as the system would be sized for the majority of the generated electricity which will be used on site, limiting the impact on the local grid. Solar PV projects do require more planning and time to execute than LED projects. As each building will have to be assessed individually to make sure they are suitable, an application to the DNO has to be made, and there are currently long lead times for parts and labour.

Mechanical Ventilation with Heat Recovery (MVHR)

4.12 Greenwards Primary School has struggled to maintain acceptable levels of air quality with CO2 levels recorded above the acceptable level. This was highlighted by the monitoring work introduced during the pandemic and has resulted in windows being opened to allow airflow, increasing gas consumption to heat the building. Installing MVHR would improve the internal learning environment, thermal comfort and air quality for the staff and students. The cost implication and energy savings of installing MVHR are detailed in the table below.

Greenwards Primary School MVHR Project			
Project Capital Cost	Potential 2023/24 Savings	Payback Period Years	Potential Annual Kg CO2e Savings
£200,000	£12,988	13.56	45,000

4.13 The above projects will provide improvements in consumption. However, to secure design, approval, procurement and then implementation this all takes time and will likely have minimal effect on 2023/24 budget. This projected savings would, however, be in place for financial year 2024/25 and there may be Scottish Government funding available to fund part of this type of intervention.

Valuation of Greenhouse Gas Emissions

4.14 Incorporating the value of carbon into the appraisal of projects can ensure proper account of greenhouse gas emissions, therefore putting a monetary value on the social and environmental benefits of a project that delivers a reduction in carbon emissions.

4.15 Using the example of MVHR in Greenwards Primary school, it can be shown how including this value can support the case for executing a project that would otherwise be rejected on a purely financial basis. This will allow a more thorough analysis of how a project can reduce financial costs and carbon emissions, otherwise projects which save money but not carbon will be ranked higher than projects which save both money and carbon. As per guidance from UK Government Department for Business, Energy & Industry Strategy (BEIS) the social costs of carbon should be monetised and included in appraisal and evaluation to ensure the impacts of carbon are taken into consideration.

4.16

Greenwards Primary School MVHR Project			
Project Capital Cost	Potential 2023/24 revenue Savings	Potential Annual CO2e Savings *	Payback Period Years
£200,000	£12,988	£11,160	8.2

* Potential annual co2e savings of 45,000 kg per annum monetised as per BEIS Valuation of greenhouse gas emissions: for policy appraisal and evaluation

5. IMMEDIATE INTERVENTION

5.1 The projects outlined in section 4 above will be progressed via the Council's spend to save procedure which will be progressed by officers via the Asset Management Working Group with the intention that savings will be generated from 1 April 2024. Updates on progress will be provided in the annual energy report.

5.2 A further immediate intervention could be to reduce the heat set point in corporate buildings from 19 degrees to 18 degrees, as this was a mitigation discussed at this Committee on 15 November 2022. Discussions in the Scottish Energy Officer's Network (SEON) have shown that sometimes a further reduction of the heat set point can be difficult to achieve with another Local Authority highlighting opposition from occupiers of buildings who had noted feeling cold. As discussed in November a comfortable temperature can be subjective. Due to the significant financial challenge, it is recommended that we progress to reduce the heat set point to 18 degrees. However, to mitigate the impact on building occupiers it is recommended that we introduce this measure after the School Easter Holidays as the ambient temperature heats up. This will permit building occupiers to become accustomed to the changed temperature prior to the winter period.

5.3 In order to deliver significant consumption reductions quickly, without incurring spend, there is the option to consider curtailing building opening. On that basis, the table below serves to provide an illustration of the potential savings temporarily closing the highest consuming corporate buildings could produce. The cost below are for consumption only and do not include standing charges. This information will inform budget considerations and the development of the Heat in Buildings Strategy, while efficient use of buildings is also a focus of the Smarter Working Project.

	Annual Consumption cost / Mothball Savings 2023/24 Prices.	Daily Closure Savings Winter	Daily Closure Savings Summer
Moray Council HQ	£ 121,024	£ 194	£ 140
Moray Council Annexe	£ 186,742	£ 73	£ 64
Elgin Library	£ 126,363	£ 142	£ 133
Ashgrove Offices	£ 32,457	£ 85	£ 43

Swimming Pools

5.4 Our highest consuming buildings include our swimming pools. The table below provides the annual consumption saving for the three pools which are separately metred assuming the properties were mothballed.

	Annual Consumption cost / Mothball Savings 2023/24 Energy prices
Buckie Swimming Pool	£ 148,370
Keith Swimming Pool	£ 126,528
Forres Swimming Pool	£ 119,573

5.5 The pools in Lossiemouth and Speyside High School are metered as part of the School. Therefore, it is harder to estimate the savings to be made by mothballing them. The consumption costs for Lossiemouth are in the region of £52,000 and Speyside £48,000.

5.6 It may not be cost effective to close swimming pools for short periods. As the water temperature would have to be maintained, or if allowed to cool, savings may be negated by the energy needed to re-heat the water back up to temperature. For this reason and for the way their energy is metered, it is difficult to quantify any energy saving to be made by closing for short periods on pool open days.

5.7 It should be noted that the above has only taken into account the savings to be made from energy consumption. Further any decisions on considering curtailing building openings will only be progressed in consultation with the smarter working project. Officers from Housing and Property will work with other Services during the budget setting process in order to assist in developing any potential savings proposals for consideration by Committee to ensure full property cost information will be available.

5.8 Behavioural change is as important as ever to make staff, students and service users aware of the challenges we face, both financially and in relation to carbon emissions. We will engage with the lead officers and services for our highest consuming buildings via the Energy and Climate Change teams. In particular, officers will engage with the climate change champions within schools to drive innovation and behaviours which will assist with reduction in our consumption.

5.9 Officers are in the process of developing a Heat in Building Strategy which will provide support to decision makers to ensure that proposals to use and develop our buildings complies with the Council's objectives and ensures the most efficient use of our properties and their heating systems. This strategy will be reported as part of the annual energy report. The strategy will align with the Local Heat and Energy Efficiency Strategy (LHEES). The council is required to submit a LHEES by the end of 2023. A LHEES officer has started with the council in January 2023 to begin working on this strategy.

6. DECARBONISING THE BUILDING STOCK

6.1 With the Council's net-zero target of 2030 and the Scottish Government target for all public buildings to be decarbonised by 2038, there are major works required, including replacement of carbon based heating systems. Of our 56 Schools, 26 are heated with gas systems, 18 by oil, 2 by biomass and the remainder being heated by inefficient electric systems. A similar situation can be found in the remainder of the building stock. In order to meet the respective targets, all of these heating systems would require to be replaced by low or zero carbon heat sources between now and 2030 or 2038, or for emissions to be offset where applicable. These heat sources will be either individual air source heat pumps (ASHP), ground source heat pumps (GSHP), connection to heat networks and possibly biomass.

6.2 As it stands, it is not financially viable to replace gas boilers of the size required for larger public buildings with heat pumps. The example in the table below shows the cost implications of simply replacing the gas boiler with ASHP in Bishopmill Primary.

Bishopmill Primary School Air Source Heat Pump Project				
Project Capital Cost	Annual Savings	Payback Period Years	IRR	Annual Kg CO2e Savings
£961,500.00	-£12,440	NA	Negative	86,000

6.3 This demonstrates part of the predicament faced on the route to net zero. Many of the boilers within our estate have reached the end of their designed life. To replace a boiler with a new like for like system will typically be the most practicable and cost effective option. However, ultimately this would not be optimal in terms of the Council's net-zero ambitions and lifecycle cost would have to be considered in terms of further upgrading being required before the end of their useful life. It is anticipated that new technologies will be developed in the years leading to 2030 which may strike the optimal balance

between installation cost, efficiency of operation and carbon emissions and each decision in the interim will be subject to an options appraisal to determine value for money for the Council.

Fabric First

6.4 The majority of the building stock is not suitable for fitting ASHP as a single heat source. The heat provided by this type of system is low level heat. This requires an efficient building envelope to be effective. The Scottish Government recommends as best practice to approach buildings with a 'Fabric First' approach, meaning that building's condition and fabric should be upgraded before considering low-carbon heat and renewable generation. Upgrading building fabric not only makes the building suitable for low carbon heat sources, fabric improvements make significant energy savings and a reduction in operational CO2 in the meantime.

6.5 A Fabric First approach should be the guiding principle within financial and affordability parameters, doing so will make the building more suitable for low carbon heat sources, allow time for technology to improve and reduce in price, allow time for heat networks to develop and potential grant funding that may come from central government. Most fabric improvements will, however, not give the demonstrable return on investment or payback periods offered by the LED and PV projects.

6.6 The route to retrofitting a building to becoming net-zero by 2030 could be demonstrated using Greenwards Primary School as an example.

Year	Measure	Benefits	Approximate Cost
1 - 2	Undertake mechanical ventilation project	Improved pupil work environment reduction in consumption.	£200,000
1 - 2	LED lighting Replacement.	Improved environment for pupils and reduction in consumption.	£38,000
2 - 5	Roof replacement with improved insulation	Extends life of roof/building fabric and reduces energy consumption.	£800,000
2 - 5	Externally insulate walls.	Extends life of walls/building fabric and reduces energy consumption	£200,000
4 - 7	Replace heating with low-carbon alternative.	Replaces carbon heat source for net zero objects but at a time when the building is as energy efficient as possible.	£900,000

6.7 Due to the challenges of funding the above, it is recommended that Committee note that initial interventions will be progressed based on spend to save options. However, it is recognised that to undertake the improvement in the fabric of our buildings and decarbonisation of our property estate that further capital funding will be required. It is proposed that officers develop business cases for the decarbonisation of our highest energy using buildings

first, that the focus for these business cases must be on reducing consumption first via spend to save projects where applicable and then establishing the most economically viable option to improve the building fabric and then replace the heat source with a non-carbon heat source if financially viable.

6.8 The methodology for assessing the financial viability of any works will first undertake an assessment to establish if the works generate a saving. If so, then the payback period will be established in pure financial terms and also taking account of the social costs of carbon of any reduction in CO^2. If a payback period of less than 15 years is established, the project will be taken to the Asset Management Working Group for assessment and decision making. When there is no financial benefit in terms of running cost reduction or the payback period is longer than 15 years, then capital investment will be required without a payback. The proposal will be assessed on a full life cycle approach taking account of the net zero objectives of the Council and future costs of carbon emissions.

6.9 Notwithstanding the above, there may be occasions where there is a failure of heating system which has exceeded their designed life time. If these fail in critical operational buildings such as schools, there may be a requirement to replace them before it is possible to upgrade the building's fabric. On those occasions to ensure continued service delivery, a like for like replacement may be required.

7. FINANCE / FUNDING

7.1 There is some external support available from the Non Domestic Energy Efficiency Framework (NDEE). There is a support Unit in the form of consultation delivered by Mott Macdonald and funded by the Scottish Government up to £50K. The support unit offer project management, technical and procurement support to deliver projects. The framework allows projects to be procured with Energy Performance Contracts (EnPCs) meaning that 25% of the fee is withheld until the project demonstrates its intended energy performance. This support is available until March 2024.

7.2 There are interest free loans available via SALIX. As part of the Scottish Green Public Sector Estate Decarbonisation Scheme Salix will continue to offer funding to eligible public bodies in Scotland via the existing Scottish Public Sector Energy Efficiency Loan Scheme.

7.3 This loan scheme offers zero interest loans to the public sector to enable them to undertake spend to save retrofit energy efficiency improvement projects to help them towards achieving net zero carbon in their estates. The available funding allows Salix to offer up to 75% of the total compliant project value along with increased payback criteria (subject to technical review and due diligence).

7.4 Salix is currently accepting applications to set up new Recycling Funds with Scottish local authorities and universities, dedicated to estate-wide energy

efficiency retrofits, in support of Scottish Government's carbon reduction target. Salix have been working with the public sector in Scotland since 2006. The Salix Recycling Fund aims to increase long-term investment in energy efficient technologies across the public sector. It is a ring-fenced fund held by the local authority, created with capital provided by Scottish Government through Salix, and equally matched by the local authority. Current Recycling Fund sizes vary from £100,000 to £1.6 million. The Salix contribution is a long-term 100% interest-free repayable grant. Scottish local authorities can use their former Central Energy Efficiency Fund (CEEF) or their own capital as their match contribution. The financial savings achieved by the projects are reinvested in further eligible projects year on year, hence the term 'Recycling Fund'. The Recycling Fund can also be used to finance retrofit programmes from the Non Domestic Energy Efficiency Framework (NDEE).

8. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan) (LOIP)

The Council's Corporate Plan 2019 – 2024 identifies the environment as a key principle in the delivery of the Council's priorities.

"Environment – look after the world we live in to protect it for the future" and for Moray Council to be "A resource efficient, carbon neutral council that works with partners to mitigate the worst effects of Climate Change, to create a resilient, fair and more sustainable future for everyone within Moray".

On 10 March 2021 (paragraph 13 of minute refers) the council adopted the Climate Change Strategy. The strategy set a goal of the Council being carbon neutral by 2030. On 6 April 2022 (paragraph 18 of minute refers), the Route Map to Net Zero was approved. This creates a framework for our actions aimed at reducing carbon emissions to net zero by 2030.

This report highlights some of the operational and financial challenges faced in order to reach this target.

(b) Policy and Legal

In October 2021 the Scottish Government published The Heat in Buildings Strategy. This sets a requirement for all local authorities to produce a Local Heat and Energy Efficiency Strategy (LHEES) by the end of 2023.

(c) Financial Implications

In 2021/22 the Council's total utility bill amounted to £3,696,136, an increase of £543,809 (17%) compared to 2020/21.

Unit electricity costs have increased by 20% and gas costs have increased by 157% from 2021/22 to 2022/23. With 2022/23 actual spend to end of August and current cost is applied to energy consumption of

2021/22, the projected annual costs of electricity and gas in 2022/23 will be £2,643,778 and £1,783,450 and respectively.

The Energy spend for the year 2023/24 will potentially be in excess of £6M. Energy prices will not fall back down to prices seen before 2021.

(d) Risk Implications

Budget guidance issued in June 2021 by Scottish Procurement indicates that in 2023-24 electricity unit costs are forecast to increase by 53% and gas unit costs by 8%, whilst in 2024-25 electricity will increase by 79% and gas by 79% - compared to 2022-23. However, energy markets remain volatile, there is a significant risk that future prices may change dramatically.

(e) Staffing Implications

The workload associated with transforming the Council's property portfolio to net zero carbon is expected to increase year on year.

(f) Property

The property implications are as set out in this report.

(g) Equalities

There are no equalities implications.

(h) Climate Change and Biodiversity Impacts

Updating the EPS to reflect the Councils goals to achieve net zero and the developing LHEES strategy will assist in setting out strategic cohesion in achieving reductions in climate emissions.

(i) Consultations

The Head of Housing and Property Services, the Chief Financial Officer, the Head of Economic Growth and Development Services, the Design and Construction Manager, the Principal Climate Change Officer, the Principal Building Services Engineer, the Legal Services Manager, the Equal Opportunities Officer, the Programme Manager (Learning Estate) and Lissa Rowan, Committee Services Officer have been consulted and any comments incorporated in this report as appropriate.

9. CONCLUSIONS

9.1 There are further potential savings to be made with a further reduction in the heating set points. However, the return may be diminished slightly when compared to the initial reduction and implementation may prove more difficult.

9.2 The greatest financial energy savings in the short to medium term can be achieved with LED lighting and Solar PV projects.

9.3 Reaching Net Zero is financially and operationally challenging. The way forward needs to be carefully planned and in conjunction with LHEES,

maintenance, service provision needs and the rationalisation of the council's corporate building stock and the way in which we use buildings post pandemic.

9.4 Officers will ensure that building energy consumption data is available for the development of budget proposals during the budget setting process.

Author of Report:	Iain Highet/Neil Strachan
Background Papers:	with author
Ref:	SPMAN-1285234812-1235

REPORT TO: **ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 7 FEBRUARY 2023**

SUBJECT: **INFORMATION REPORT: PUBLIC SECTOR CLIMATE CHANGE REPORTING**

BY: **DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

1. REASON FOR REPORT

1.1 To inform the Committee of the Council's Public Sector Report on Compliance with Climate Change Duties 2021/22 and updates to the reporting methodology and statutory requirements.

1.2 This report is submitted to Committee in terms of Section III (F) (33) of the Council's Scheme of Administration relating to providing, developing and monitoring the Council's Economic Development and Infrastructure Services.

2. BACKGROUND

2.1 The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires public sector bodies to publish annual climate change reports. This is intended to demonstrate compliance with public sector bodies' climate change duties, to engage leaders and encourage action to be taken to reduce carbon emissions.

2.2 Moray Council has a duty under Section 44 of the Climate Change (Scotland) Act 2009 to contribute to reducing Scotland's greenhouse gas emissions, contribute to helping Scotland adapt to a changing climate, and to act in a way it considers most sustainable.

2.3 Moray Council submitted its first mandatory report on its compliance with climate change duties to the Scottish Government in November 2016, covering the period 2015/16, and has subsequently submitted annual reports each November.

3. PERFORMANCE AND UPDATES

3.1 A copy of the Council's Public Sector Report on Compliance with Climate Change Duties as submitted to the Scottish Government on 15 November

2022 has been uploaded to the Committee Management Information System (CMIS) **and is available here.**

3.2 In 2021/22, the Council's recorded carbon emissions were 24,490 tonnes of carbon dioxide equivalent (tCO_2e) – an increase of 2,014 tCO_2e (9%) compared to reporting year 2020/21. A summary of changes by emissions source between the reporting years is provided in **Appendix 1**.

3.3 The increase in the Council's recorded carbon emissions during 2021/22 is principally the result of services increasingly returning towards 'business as usual' following the operational changes necessitated by the Covid-19 pandemic:

- Higher consumption of grid electricity;
- Higher consumption and treatment of water;
- Higher consumption of fuels; and
- Higher consumption of biomass and most heating fuels.

These changes represented a carbon increase of 1,202.9 tCO_2e. However a reduction in emissions from the areas waste led to a carbon reduction of 439.2 tCO_2e.

3.4 It should be noted that the 2021/22 figures represent a reduction of almost 1,000 tCO_2e from the pre-pandemic submission of 2019/20. The increase in emissions this year caused by returning to a 'business as usual' approach after the pandemic was predicted within the Council's Route Map to Net Zero. Decisions to be taken around flexible working, use of buildings and fleet decarbonisation will influence this trajectory in the coming years.

3.5 The highest number of full time equivalent (FTE) staff employed during the 2021-22 financial year was 3,762, an increase of 184 FTE since the previous report. A proportion of this increase in FTE is likely to be associated with factors such as additional staffing relating to the Covid-19 pandemic and expansion of Early Learning and Childcare provision. This figure is used to calculate an estimate of the carbon emissions resulting from the proportion of employees who are homeworking to some degree through hybrid working arrangements, and who would previously have been office based.

3.6 Homeworking emissions continued to represent a significant emission source for the Council. This source represented carbon emissions of 1,073.1 tCO_2e (an increase of 55.4 tCO_2e). This total is calculated using the Scottish Government's proxy homeworking emissions multiplier of 0.3 tCO2e per FTE. There is presently no system within the Council to distinguish between homeworkers/hybrid/office-based staff. Therefore an assumption of 100% homeworking is made within reporting to avoid understating carbon emissions. When data becomes available via the Council's Smarter Working Project, it is may be possible to refine this assumption in future calculations.

3.7 The following emissions sources were not included in the previous reporting submission:

- Grey fleet (average car) mileage;
- Hotel stays – UK;
- Short-haul flights (economy class); and

- Rail mileage (National Rail).

These emissions sources were reported in the 2021/22 submission and represent carbon emissions of 268.3 tCO_2e.

3.8 Several energy saving projects and initiatives were carried out in 2021/22:
- LED lighting replacement;
- Water main replacement;
- Roof insulation;
- Draught proofing; and
- Miscellaneous insulation projects.

These changes represented an estimated carbon saving of 24 tCO_2e.

3.9 The Council's annual procurement report now highlights the number of contracts with environmental/climate change conditions attached. This included 13 contracts in the reporting year, broken down by conditions as follows:
- 5 x energy;
- 3 x greenhouse gases;
- 4 x waste; and
- 1 x sustainable construction.

3.10 All of the data used within the submission was obtained from previous compliance reports and from sections within the Council which collect data as part of their operational functions. In some cases, data used within the submission has been the basis for papers approved by Council committees.

4. FUTURE REPORTING

4.1 The Council will continue to be required to publish annual climate change reports as per the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015.

4.2 The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020 states that all future reporting must include:

- the Council's target date for achieving zero direct emissions of greenhouse gases, or such other targets that demonstrate how the Council is contributing to Scotland achieving its emissions reduction targets;
- the Council's targets for reducing indirect emissions of greenhouse gases (where applicable);
- details regarding how the Council will align its spending plans and use of resources to reducing emissions and delivering its emissions reduction targets;
- details regarding how the Council will publish, or otherwise make available, its progress to achieving its emissions reductions targets; and

- details of any contributions made by the Council to helping deliver Scotland's Climate Change Adaptation Programme.

4.3 Officers working across the Council therefore have a responsibility to provide all necessary information required for submission as part of the statutory annual climate change reporting.

4.4 Data collected for the purposes of annual climate change reporting will also be used to inform updates to the Council's Routemap to Net Zero Carbon Emissions.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

This reporting demonstrates the challenge the Council has in progressing towards its ambitious greenhouse gas emissions targets.

The Council's Corporate Plan 2019-2024 identifies the environment as a key principle in the delivery of the Council's priorities:

"Environment – look after the world we live in to protect it for our future"

and for Moray Council to be:

"A resource efficient, carbon neutral council that works with partners to mitigate the worst effects of Climate Change, to create a resilient, fair and more sustainable future for everyone within Moray".

(b) Policy and Legal

The Climate Change (Scotland) Act 2009 places a duty on public bodies to act in the way best calculated to contribute to the delivery of Scotland's climate change targets; in the way best calculated to help deliver any programme for climate change adaptation laid before the Scottish Parliament; in a way it considers most sustainable.

The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 requires that public bodies prepare a report on compliance with climate change duties as set out by the Climate Change (Scotland) Act 2009.

The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020 requires that the body to provide further details within its mandatory reporting on climate change duties.

(c) Financial implications

There are no financial implications.

(d) Risk Implications
There are no risk implications. The upcoming revision to the Council's Routemap to Net Zero Carbon Emissions will include updated emissions forecasting and actions, taking account of the data within this report and will highlight any risks to meeting our net zero targets.

(e) Staffing Implications
There are no staffing implications.

(f) Property
There are no property implications.

(g) Equalities/Socio Economic Impact
There are no equalities/socio economic impact implications.

(h) Climate Change and Biodiversity Implications
There are no climate change or biodiversity implications directly resulting from this report. The upcoming revision to the Council's Routemap to Net Zero Carbon Emissions will include updated emissions forecasting and actions, taking account of the data within this report.

(i) Consultations
Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Head of Governance, Strategy and Performance, the Head of Housing and Property, the Head of Environmental & Commercial Services, the Head of Education Resources and Communities, the Legal Services Manager, the Energy Officer, the Equal Opportunities Officer, the Chief Financial Officer and Lissa Rowan (Committee Services Officer).

5. CONCLUSION

5.1 The submission of the Public Sector Report on Compliance with Climate Change Duties 2021/22 by the Council to the Scottish Government in November 2022 fulfilled its statutory reporting obligation.

5.2 The Council will continue to be required to submit annual Public Sector Reports on Compliance with Climate Change Duties.

5.3 Data collected for the Public Sector Report on Compliance with Climate Change Duties 2021/22 will be used within updates to the Council's Routemap to Net Zero Carbon Emissions.

Author of Report: George Gunn, Climate Change Strategy Officer
Background Papers: As referred to in this report.
Ref:
http://spman.moray.gov.uk/MANComRepDraftSite/_layouts/15/DocIdRedir.aspx?ID=SPMAN-813460984-323

Emission source	Type	2020/21 emissions (tCO_2e)	2021/22 emissions (tCO_2e)	% Change	Change (tCO_2e)
Batteries Recycling	Scope 3	0.1	0.0	-100.0%	-0.1
Purchased Heat and Steam	Scope 2	11.8	0.0	-100.0%	-11.8
Van - Average (up to 3.5 tonnes) Battery Electric Vehicle miles	Scope 1	2.3	0.0	-100.0%	2.3
Car - hybrid (average) miles	Scope 1	0.9	0.0	-100.0%	0.9
Car - Battery Electric Vehicle (average) miles	Scope 1	0.7	0.0	-100.0%	0.7
Landfill gas kWh	Scope 1	0.7	0.7	0.0%	0.7
Mixed recycling	Scope 3	32.7	16.0	-51.1%	-16.7
Organic Food & Drink Composting	Scope 3	96.8	73.9	-23.7%	-22.9
Organic Garden Waste Composting	Scope 3	11.2	8.7	-22.3%	-2.5
Refuse Municipal to Landfill	Scope 3	8507.3	8110.2	-4.7%	-397.1
Biomass (Wood Pellets) kWh	Scope 1	15.0	15.0	0.0%	0.0
Paper & Board (Mixed) Recycling	Scope 3	93.3	93.4	0.1%	0.1
Glass Recycling	Scope 3	68.4	70.1	2.5%	1.7
Water - Treatment	Scope 3	22.5	23.2	3.1%	0.7
Water - Supply	Scope 3	11.3	11.7	3.5%	0.4
Homeworking emissions	Scope 3	1073.1	1128.5	5.2%	55.4
Biomass (Wood Chips)kWh	Scope 1	18.9	20.2	6.9%	1.3
Natural Gas	Scope 1	4315.4	4722.7	9.4%	407.3
Grid Electricity (generation)	Scope 2	2649.0	2909.8	9.8%	260.8
Diesel (average biofuel blend)	Scope 1	2711.4	3001.3	10.7%	289.9
Gas oil litre	Scope 1	246.3	278.3	13.0%	32.0
Grid Electricity (transmission & distribution losses)	Scope 3	227.8	257.5	13.0%	29.7
Gas oil kWh	Scope 1	750.1	856.8	14.2%	106.7
WEEE (Mixed) Recycling	Scope 3	16.9	24.0	42.0%	7.1
Refuse Commercial & Industrial to Landfill	Scope 3	1458.3	2335.8	60.2%	877.5
Clinical Waste - Other	Scope 3	47.5	77.2	62.5%	47.5
Metal Cans (Mixed) & Metal Scrap Recycling	Scope 3	12.5	21.2	69.6%	8.7
Marine Fuel Oil litres	Scope 1	56.2	111.8	98.9%	56.2
Petrol (average biofuel blend)	Scope 1	9.8	27.7	182.7%	17.9
Plastics (Average) Recycling	Scope 3	4.5	15.4	242.2%	10.9
Clothing (Closed loop recycling)	Scope 3	2.6	10.7	311.5%	2.6
Grey fleet (average car) mileage	Scope 3	Not previously reported	263.8	N/A	263.8
Hotel stays - UK	Scope 3	Not previously reported	1.9	N/A	1.9
Short-haul flights (Economy class)	Scope 3	Not previously reported	1.7	N/A	1.7
Rail (National Rail)	Scope 3	Not previously reported	0.9	N/A	0.9
TOTALS:		**22,475**	**24,490**		