Fife Council
Case studies

The role of the finance team in climate change projects
As the third largest authority in Scotland, with a budget of over £580 million each year, Fife Council is responsible for delivering all local government services in the region. This team of over 22,000 people made up of 78 councillors (elected members) and over 20,000 council officers or employees (all of whom are non political) delivers more than 900 individual services to the people of Fife each year.

As part of ‘The Fife Partnership’ alongside NHS Fife, Fife Constabulary and other local public sector organisations, it shares three goals: inclusion; sustainability and best value.

As part of its drive for a more sustainable future Fife Council recently launched its own Carbon Emissions Reduction Plan (CERP). The case study attached below discusses how Fife successfully embarked on its journey through effective cross functional working. It shows the role that the finance team were assigned, how they evaluated the value at stake related to not meeting committed carbon emission reduction targets and how they introduced a procurement whole life costing tool.

**Fife Council case study one**

**Cross functional working**

Fife Council showed its commitment to tackling climate change by launching its own Carbon Emissions Reduction Plan (CERP). The Council pledged to reduce its own emissions by 80% by 2050 – in 2007/2008 Fife Council’s carbon footprint was 113,694 tonnes. Hard lessons had been learned with the introduction of the landfill tax – and with the Government’s own Carbon Reduction Commitment regulations looming, Fife Council recognised a need to set up a management structure to manage the process.

It produced a comprehensive document containing a framework to help it achieve its targets, part of which was assigning responsibilities across functional teams at an early stage. The key was clearly defining responsibility for core elements of the change process to lead project managers; team members were then accountable to these project managers for sub projects that fell within each of these elements.

**Framework for Carbon Management of Carbon Emissions Reduction Plan**

<table>
<thead>
<tr>
<th>Governance</th>
<th>Management tools</th>
<th>Accounting</th>
<th>Performance</th>
<th>Med long-term improvement programme</th>
<th>Behavioural change</th>
<th>Policy and review</th>
<th>Short life working group(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project manager</td>
<td>Mr M</td>
<td>Mr S</td>
<td>Ms M</td>
<td>Mr S</td>
<td>Mr D</td>
<td>Mr M</td>
<td>Mr G</td>
</tr>
<tr>
<td>Sub-projects and projects lead</td>
<td>Carbon emissions impact assessment tool</td>
<td>Accounting and budgeting system</td>
<td>Energy audit</td>
<td>Corporate improvement programme projects [eg Asset Strategy]</td>
<td>Communication plan</td>
<td>Review policy</td>
<td>Interim reporting ahead</td>
</tr>
<tr>
<td>Review governance structure</td>
<td>WLC and procurement</td>
<td>Footprint improvement project</td>
<td>Carbon emissions audit</td>
<td>Corporate Improvement programme projects [district heating]</td>
<td>Behavioural change projects</td>
<td>Target setting process</td>
<td>Interim reporting delivery CERP</td>
</tr>
<tr>
<td>Buildings governance</td>
<td>Other tools including REAP, WLC and buildings</td>
<td>CRC readiness finance</td>
<td>Maintain and review CERP monitoring system</td>
<td>Other corporate improvement projects [street lighting]</td>
<td>Champions network Development Officer</td>
<td>Annual report(s)</td>
<td>Action programme for short term action</td>
</tr>
<tr>
<td>Other systems and processes</td>
<td>Other corporate improvement projects [as identified]</td>
<td>Energy awareness training</td>
<td>External validation</td>
<td>Travel planning</td>
<td>3 yearly review</td>
<td>Waste aware</td>
<td>Monitor context</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Fleet management</td>
<td>Checks</td>
<td>Additional support</td>
<td>Exit strategy</td>
</tr>
</tbody>
</table>
Procurement and supplies
Finance and resources directorate

Developing sustainable procurement practices, including the ongoing trial and application of a whole life costing tool to reduce carbon emissions through procurement.

Finance
Finance and resources directorate

Research options for ‘Accounting for carbon’, for example, the use of carbon as a second currency within the council.

Specify requirements for replacement for the Oneworld Ledger, due to three to four years, to ensure the new system is capable of integrating carbon accounting.

Provision of financial planning and budget advice.

Preparation of council revenue and capital budgets - incorporating any financial implications associated with carbon management.

Assessing the financial consequences of all projects or proposals (to include any costs associated with carbon).

Preparation of annual accounts - to account correctly for all financial aspects of carbon (e.g. carbon allowances).

Fife Council’s Carbon Emissions Reduction Plan Business Case

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>ACTION PROGRAMME</th>
<th>END PHASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Review and strengthen corporate and service governance</td>
<td>Policy: Review and strengthen the system for control and responsibility</td>
<td>Component 3: Reporting, scrutiny and review of progress</td>
</tr>
<tr>
<td>Component 2: Review and strengthen support mechanisms</td>
<td>Targets: Embed carbon in improvement programme</td>
<td>Component 4: Ongoing monitoring and review</td>
</tr>
<tr>
<td>Component 3: Reporting, scrutiny and review of progress</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 4: Ongoing monitoring and review</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fife Council case studies
Fife Council case study two

Value at stake/ change management

As a catalyst to major change programmes, finance plays a key part in evaluating and explaining value at stake. In the case of the CERP, this enabled the team at Fife Council to demonstrate the implications of not meeting their carbon emission reduction targets. Analysis was undertaken on five elements of Fife Council’s carbon footprint.

<table>
<thead>
<tr>
<th>Element</th>
<th>% of Footprint (2007/08)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td></td>
</tr>
<tr>
<td>Building energy</td>
<td>67%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>11%</td>
</tr>
<tr>
<td>Transport</td>
<td></td>
</tr>
<tr>
<td>Fleet fuel</td>
<td>12%</td>
</tr>
<tr>
<td>Business mileage</td>
<td>3%</td>
</tr>
<tr>
<td>Booked transport</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

The team presented to the leadership the implications across three different carbon management scenarios; illustrated the success of current carbon management initiatives, and highlighted potential savings to be made through meeting reduction targets.

The three carbon management scenarios used over the period of 2006/2007 to 2020/2021 (financial year) were:

1. **Corporate growth** – where minimal carbon management is implemented. Carbon emissions grow in line with Council activities.
2. **Business as usual (BAU)** – where current levels of carbon management continue. Existing Fife Council trends in carbon emissions and associated costs are maintained.
3. **Meeting the 3% pa reduction in carbon emissions target** – where high levels of carbon management are implemented and related costs are achieved.

The team presented the carbon at stake and the cost at stake for both energy and transport in each of these scenarios. An example of the outputs for energy is shown below:

**Carbon at stake for energy**

![Carbon projection energy graph showing three scenarios: Corporate growth, BAU, and Meeting our 3% target.]
If current carbon reduction efforts (the BAU scenario) continue at a similar rate, the Council’s emissions would fall by 263,685 tonnes of carbon over 13 years. There is potential to reduce carbon emission by a further 73,886 tonnes if the 3% reduction targets are achieved. However, looking at the corporate growth scenario, 337,571 additional tonnes of carbon could be emitted by the Council over 13 years.

In terms of cost, BAU could save the Council £82.2m in energy and CRC costs over 13 years and a further £40m could be saved under the 3% carbon reduction scenario. If no energy efficiency measures are undertaken, it could cost the Council an additional £122.2m in energy and CRC costs, compared to the 3% reduction targets. Even in meeting the 3% target, energy costs are likely to continue to rise.

Adding the analysis for the transport element of the carbon footprint makes the cost saving opportunities even more compelling. There is potential to avoid further costs of around £75.3m if the 3% carbon reduction targets are achieved, compared to the corporate growth scenario potential savings amount to an additional £152.9m.
Fife Council case study three

Procurement and whole life costing

Fife Council has developed a whole life costing tool for procurement. This is a corporate project led by finance and resources through the procurement and supply chain management team.

As no tool of this nature existed in October 2008, Fife Council engaged ‘Forum for the future’ to explore and develop a whole life costing tool by March 2009 that could:

- calculate a financial cost profile of the product/service
- calculate the carbon emissions from the life of the contract/product.

This recognises that procurement not only impacts on Fife Council’s sustainable development commitments, but also has a significant impact on carbon emissions. Additionally, procurement is expected to be included in Fife Council’s future carbon footprint. The innovative nature of this work means it is likely to break new ground in terms of ‘whole life costing’. The whole life costing procurement tool has been trialled and is now being implemented on a wider basis.

Fife Council case study four (carbon finance projects)

Carbon accounting system

A carbon accounting project is underway which involves both the sustainability and finance functions. It is being project managed by an accountant within finance and procurement. The systems and skills used in the traditional accounting environment are being explored and where it makes sense to do so, are being adapted to account for carbon, e.g. budgeting, monitoring, reporting, forecasting and performance management.

Planning and research work is under way with the aim of implementing a carbon accounting system which will record and monitor carbon emissions. The objectives of this work are to provide a system which:

- uses current financial ledger systems to hold carbon data
- allows Fife Council to set ‘carbon budgets’
- uses existing financial processes to account for carbon
- adapts current financial monitoring and forecasting tools enabling monitoring and forecasting of carbon emissions
- will provide baseline data to help inform future trading strategies.

CRC Readiness

Overall the finance and procurement teams are central to driving Fife Council’s readiness for increasing regulation, in particular, they are leading their CRC (Carbon Reduction Commitment) readiness project. An accountant is working as part of a cross functional team to assess, amongst other things, the financial impact of the CRC on the organisation, as well as establishing systems and building knowledge to inform future carbon trading strategies.

The success of this project hinges on senior sponsorship. It is recognised by senior finance and procurement managers that this issue is one of rapidly escalating importance, and it is through their mandate that finance resources have been made available, and the involvement of management accountants has been actively encouraged and supported.

Elaine Muir
Accountant (Environment and Development Accounting Team)
The accountant, playing a central role on the project team, has highlighted a number of important factors requiring the team’s attention and action throughout the lifespan of the project:

• understanding cashflow implications
• understanding emissions performance and estimating what impact this might have on the potential risk or reward within CRC
• quality footprint information
• robust system development (carbon accounting project)
• accurate and complete forecasts
• lessons learned from carbon trading projects
• devising a trading strategy.

Read CIMA’s new report and case studies from other organisations at www.cimaglobal.com/sustainability

The report includes case studies from other organisations and looks at how management accountants, their skills and their tools can provide business intelligence to support strategy and influence decision making, driving their organisations to mitigate and adapt to climate change.

If you are interested in sharing your own insights and experiences in this area, we would be delighted to hear from you. Please email us at research@cimaglobal.com