School Forum – 6 December 2010  

MANCHESTER CITY COUNCIL SCHOOLS FORUM

Date: 6th December 2010
Subject: Carbon Reduction Commitment Scheme update
Report of: Head of Schools Finance
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Introduction
The purpose of this report is to:

- Explain briefly the changes to the Carbon Reduction Commitment (CRC) Trading Scheme
- Consider the changes to the school and potential impact for schools of this scheme.
- Highlight a potential pressure for the 2011/12 DSG budget.
- Set out likely changes to the Schools Finance Regulations (England) in 2011/12 that will impact the Dedicated Schools Grant budget from 2011/12.

Summary
The report explains the background to the Carbon Reduction Commitment (CRC) Scheme and the potential impact of this on schools and the Dedicated Schools Grant (DSG). There is likely to be a change to the Schools Finance Regulations in 2011/12 to enable Local Authorities to charge DSG for the purchase of carbon emission allowances which are attributable to schools.

Recommendations
Schools Forum is requested to:

- Note the potential impact of the Carbon Reduction Commitment Trading Scheme on schools and DSG.

Reference to Key Documents/Previous Papers
Carbon Reduction Commitment Trading Scheme- Schools Forum paper 17th May 2010  
Agenda Item 5
1. INTRODUCTION

1.1 The purpose of this report is to:

- Explain briefly the changes to the Carbon Reduction Commitment (CRC) Trading Scheme
- Consider the changes to the school and potential impact for schools of this scheme.
- Highlight a potential pressure for the 2011/12 DSG budget.
- Set out likely changes to the Schools Finance Regulations (England) in 2011 which will impact the Dedicated Schools Grant budget from 2011/12.

2. BACKGROUND TO THE INITIAL CARBON REDUCTION COMMITMENT TRADING SCHEME

2.1 The CRC is a mandatory carbon emissions trading scheme for large public and private sector organisations in the UK, which commence in April 2010. It is part of a package of measures within the Climate Change Act, which aims to save over four million tonnes of CO2 by 2020. The scheme uses reputational and financial incentives to secure commitment from participating organisations in achieving this objective. Organisations have to purchase allowances for every tonne of CO2 they emit, the income from this sale was originally going to be recycled back to all participants based on their position in a league table. The scheme does not include carbon emissions from procurement and travel and transport. Originally organisations were either going to receive bonuses or penalties depending on how well they did comparably in the CRC league tables.

2.2 The initial scheme commenced in April 2010 and was going to run indefinitely, there were fixed phases within the scheme.

- The introductory phase covers the period April 2010 to March 2013 and allowances will be available for purchase at a fixed price of £12 per tonne of CO2, with no limit on the number available for purchase.

- The next phase would have covered a five year period from April 2013 and involved a ‘cap and trade’ scheme whereby allowances are sold by auction via a sealed bids process.

3. CHANGES TO THE SCHEME

3.1 We have recently been informed that revenue, which is estimated to be £1bn raised from the Carbon Reduction Commitments scheme, is now going to be used to support public finances rather than recycled to participants.
3.2 The table below sets out the main changes between the old and new scheme.

<table>
<thead>
<tr>
<th>Old Scheme</th>
<th>Amended Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase first allowance April 2011 for forecast 2011/12 emissions</td>
<td>Purchase first allowances after March 2012 for actual 2011/12 emissions. This will require a liability in the 2011/12 accounts.</td>
</tr>
<tr>
<td>Set price £12 per tonne carbon emitted in 2011/12 and 2012/13.</td>
<td>Set price £12 per tonne</td>
</tr>
<tr>
<td>Revenue neutral to the Exchequer. Income from Government sale recycled back October each year.</td>
<td>No recycled income</td>
</tr>
<tr>
<td>Cap and trade scheme from April 2013</td>
<td>Cap and trade scheme under review</td>
</tr>
</tbody>
</table>

4. POTENTIAL CHANGE TO FINANCE REGUALTIONS

4.1 It is foreseeable that School Finance regulations may be changed to allow for the purchase of the allowances from funding that goes out to schools.

5. RECOMMENDATIONS

5.1 Schools Forum is requested to note the potential impact of the Carbon Reduction Commitment Trading Scheme on schools and DSG.