

NORTH LINCOLNSHIRE COUNCIL

**HIGHWAYS AND NEIGHBOURHOODS
AND POLICY AND RESOURCES
CABINET MEMBERS**

CARBON REDUCTION STRATEGY: SALIX BID

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To update the Cabinet Members on the current position regarding the SALIX bid to fund investment in carbon reduction projects.
- 1.2 The Cabinet Member for Highways and Neighbourhoods considered a proposed bid for SALIX funding in February 2012, (minute 65 refers), and resolved that a decision be deferred for further consideration. This paper proposes the use of internal funding for the same programme of work.

2. BACKGROUND INFORMATION

- 2.1 Following the Cabinet Member's consideration of a SALIX bid (minute 65 refers), further discussions were held with the Director of Policy and Resources. This concluded that whilst submitting the bid would enable us to access the funds this would prove counter to the council's agreed financial strategy of not borrowing.
- 2.2 The council's financial strategy aims to limit borrowing and deliver value for money services. The programme of works proposed here would deliver some significant efficiencies, and help the council meet its target of reducing its carbon emissions by 33% over four years (i.e. by 2014).
- 2.3 The council could also claim these efficiencies in the first year, if it were able to find funding from internal sources. The financial benefits to the council of progressing with the SALIX bid would only accrue in year four after repayment of the initial interest free capital loan. The council's current strategy is to use its cash balances to fund capital schemes, where internal resources are needed, as the opportunity cost is lower than the cost of taking on external loans. The proposal here is to apply the same approach to the carbon reduction programme.
- 2.4 The 21 projects proposed are for IT virtualisation, alternative lighting solutions in council premises and roof insulation at a cost of £308k. It is also proposed that these projects are completed in the 2012/13 financial year.

3. OPTIONS FOR CONSIDERATION

3.1 Option1 - To abandon the SALIX bid and fund the projects internally. This will allow us to claim the savings in year one rather than year four after repaying the interest free capital loan. This is the preferred option.

3.2 Option 2 - To continue with the SALIX bid.

4. ANALYSIS OF OPTIONS

4.1 Option 1 is the preferred option. It enables us to deliver the projects whilst at the same time claiming the efficiencies in year one rather than in year four.

4.2 Delivering the projects shows further commitment to reducing our carbon footprint. This will also contribute to delivering on the government's efficiency agenda.

5 RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Finance

5.1.1 The council budget setting resolution allows for "any further capital projects fully funded by external sources or which are self-financing be added to the capital programme when known, subject to a proper assessment of the business case, and approval of the necessary virement." Taken together these projects are estimated to deliver annual revenue savings of £101,000, thereby achieving a payback period of around three years; and reduce the council's liability for carbon taxes.

5.1.2 On that basis the investment is justified. It is proposed that the 21 projects are added to the council's capital programme funded from internal resources. These are scheduled for the financial year 2012/13 and total £308,000.

5.2 Staffing

5.2.1 There are no additional staffing requirements arising from this report.

5.3 Property

5.3.1 All the work will take place on our property.

5.4 IT

5.4.1 Savings on IT costs would accrue from the changes to operating arrangements proposed here.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

6.1 Environmental

6.1.1 Climate Change is one of the greatest threats to face us. Even if we act now we are still going to have to adapt to a warmer climate. Not taking action on economic grounds is no longer an option. The Stern review on the Economics of Climate Change showed that not acting now could cost the country far more in the long term. It is estimated that it could reduce the nations GDP by up to 20% by 2100. Progressing with the projects will contribute significantly to the Councils target of reducing its emissions by 33% by 2014.

6.2 Statutory

6.2.1 We are legally required to participate in the Carbon Reduction Commitment Energy Efficiency scheme (CRCEES). The scheme aims to drive down carbon emissions by placing a tax on our carbon emissions. During 2012 we will pay £206,000. Approval of the projects proposed here will help to limit increases in this tax as the scope of the CRCEES scheme is widened.

6.3 Section 17

6.3.1 There are no section 17 issues in this report.

6.4 Diversity

6.4.1 There are no diversity issues in this report

6.5 Risk

6.5.1 There is a small risk that the implementation of the programme of works could fall behind schedule. This can be overcome by rigorous programme management and ensuring that procurement issues are resolved ahead of schedule

7. OUTCOMES OF CONSULTATION

7.1 There have been internal consultations as part of the wider carbon management programme.

8. RECOMMENDATIONS

8.1 That the Cabinet Members support the addition of 21 projects at a cost of £308k to the capital programme, funded via internal resources.

- 8.2 That approval be given for a virement of £308k, to increase the Carbon Management capital budget.

DIRECTOR OF PLACES
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Background Papers used in the preparation of this report:
Council Report on Scrutiny Review of Greening the Workforce Oct 2010