

NORTH LINCOLNSHIRE COUNCIL

CABINET

ADOPTION OF CARBON MANAGEMENT PLAN

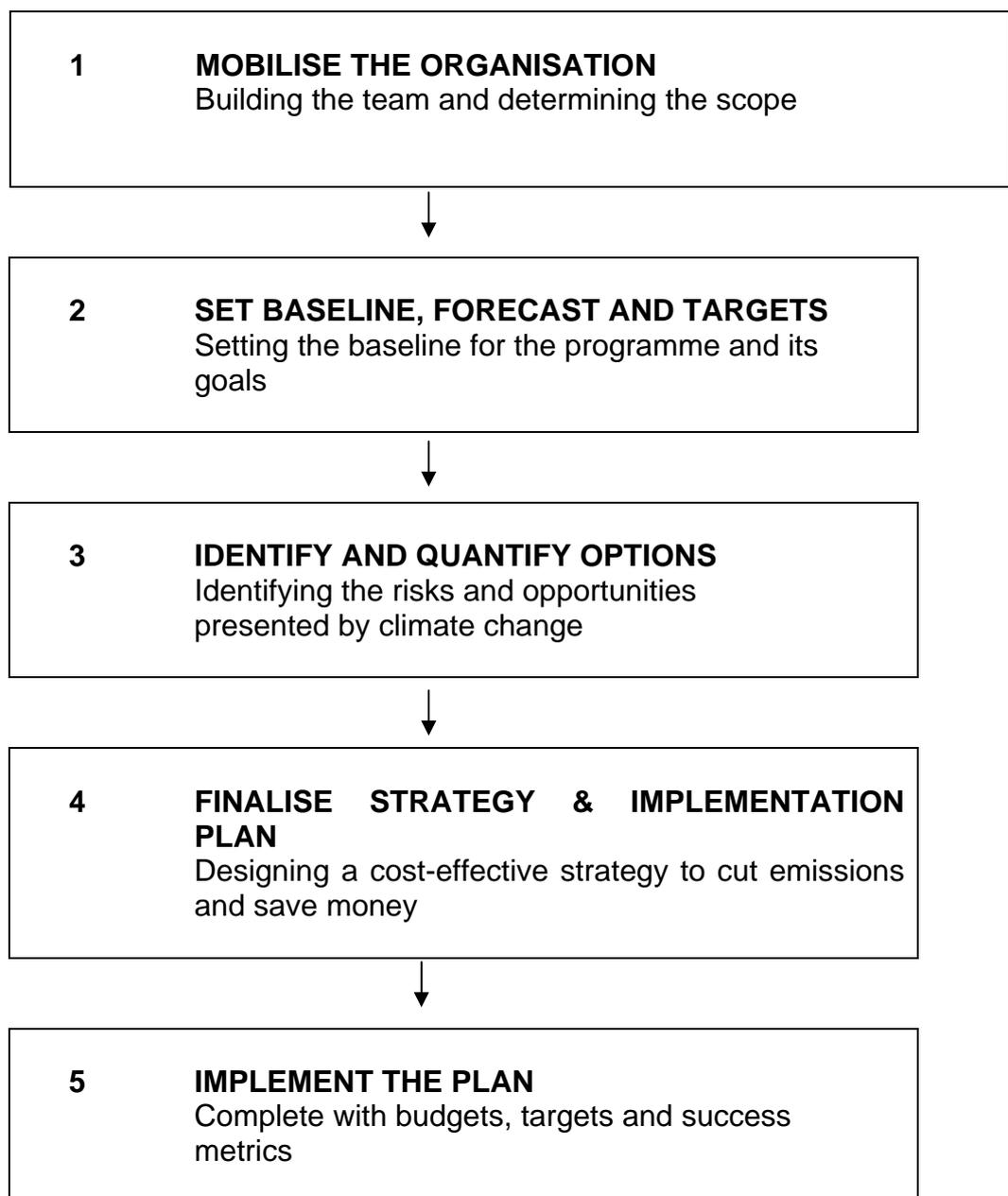
1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 North Lincolnshire Council was successful in being accepted into the Local Authority Carbon Management Programme (LACMP) in May 2009.
- 1.2 This report seeks approval to adopt the carbon management plan and its targets as a formal council policy, a copy of which is placed in political group offices.
- 1.3 The report also seeks approval to establish a carbon 'Recycling to Save Fund' to deliver energy and carbon reductions over the next 5 years.

2. BACKGROUND INFORMATION

- 2.1 The council became a formal signatory to the Nottingham Declaration on Climate Change during 2003. This involved the council making a public pledge to take a lead in tackling the effects of climate change locally. Climate change features in the council's Local Area Agreement (LAA) and is now a central part of the Comprehensive Area Assessment (CAA) process under the new key line of enquiry 'use of natural resources'.
- 2.2 The Government's new performance framework includes indicators on Climate Change and Carbon Emissions.
 - NI185 CO² reduction from Local Authorities.
 - NI186 Per Capita reduction in CO² emissions.
 - NI188 Adapting to Climate Change.
 - NI187 Fuel Poverty.
 - NI189 Flood and Coastal risk Management
- 2.3 The council's Climate Change Action Plan was adopted during 2006 and aims to reduce the council's impact upon climate change.

- 2.4 Energy consumption is known to be a major contributory factor to human induced climate change. One of the main efficiency savings achieved by Kirklees (£1.3 million over three years) in its Carbon Management Programme was through improved energy efficiency.
- 2.5 The Carbon Trust has been providing councils with technical and change management support and guidance through the Local Authority Carbon Management Programme (LACM) to help reduce carbon emissions and deliver financial savings. The programme was launched in 2003 and has to date supported 140 councils through the change.
- 2.6 The Change Management Process follows five key steps and guides the council through a systematic analysis of its carbon footprint.

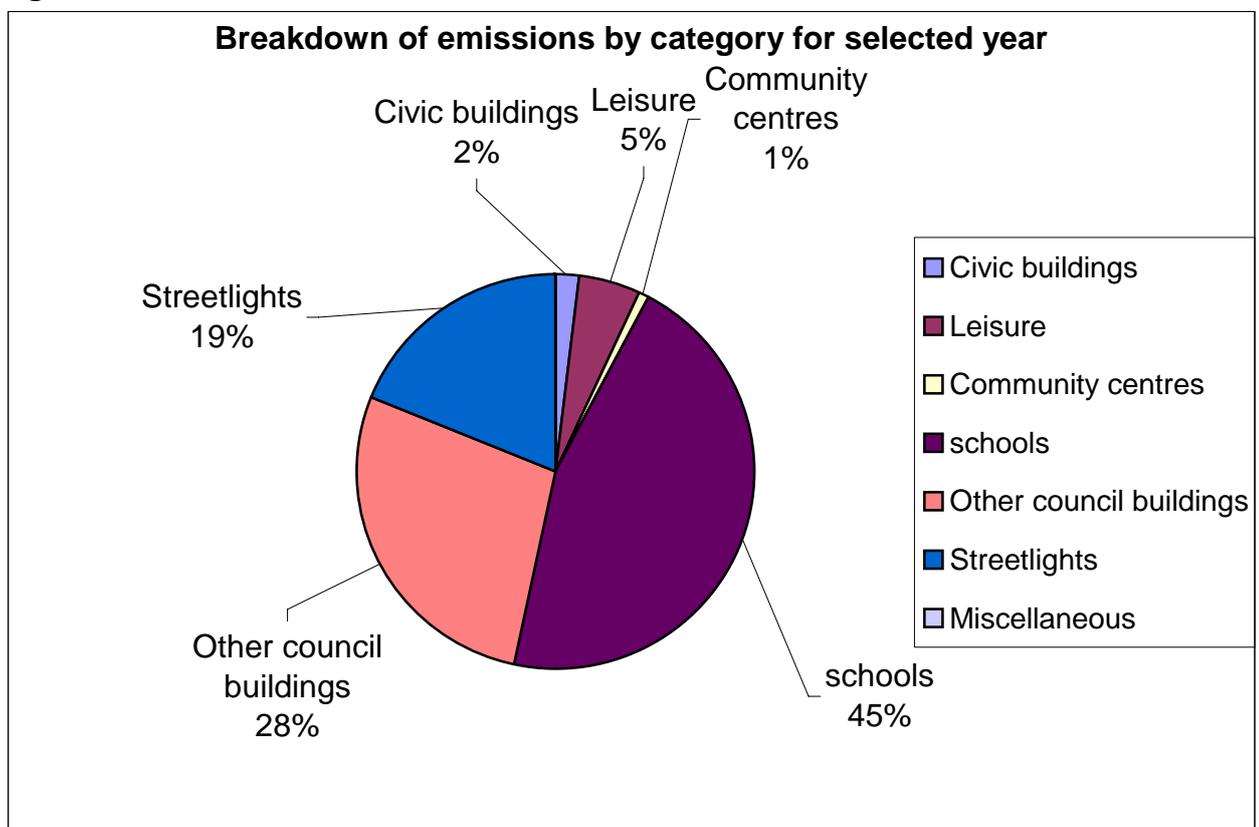


- 2.7 North Lincolnshire Council has been vetted by the Carbon Trust and accepted into the LACM programme against substantial competition.
- 2.8 The Carbon Management plan contains an enormous amount of detail about the council's energy consumption on a building and vehicle-by - vehicle basis. The data has been entered into a tried and tested series of models perfected by the Carbon Trust working with Local Authorities over the last 6 years.
- 2.9 As part of the process of collating our energy data for the first time several areas have been identified where significant value for money could be achieved by either providing more information to users, new procurement options or changing the way things are done.

3. OPTIONS FOR CONSIDERATION

3.1 The primary focus of the carbon management programme is to reduce emissions under the control of the council such as buildings, vehicle fleets and street lighting. The council has benefited from consultant support in the form of workshops and dedicated tailored support around the process. The council was responsible for producing 30,000 tonnes of CO² during 2008/09, which can be broken down into the following sectors:

Figure 1



3.2 Other council buildings relates to all council buildings other than those indicated on the pie chart.

3.3 Currently our energy from all sectors (including schools) amounts to £5.2 million and this is set to increase to £8.7 million over the next 5 years if the current volatility in energy prices continues (see figure 2 indicating the business as usual scenario)

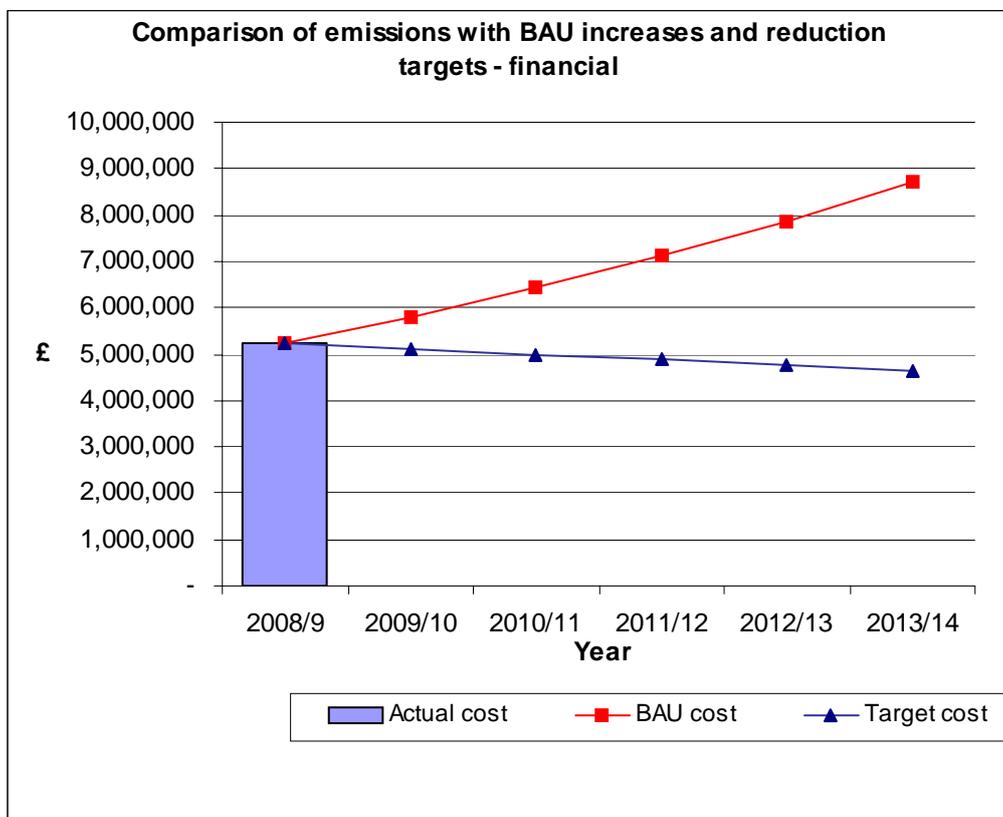


Figure 2

3.3 The Carbon Management Plan sets a target for reducing our carbon footprint by 33% over the next 5 years. The effect of achieving this target is that our energy costs reduce to £4.7 million in the next 5 years. This represents a 10% decrease on our 2008 baseline costs.

3.4 However, the difference between the Business as Usual scenario and the carbon reduction scenario is £4 million in 2013/14 and £11.5 million for the full 5 years.

3.5 However, in order to realise the 33% target and the £11.5 million saving it will be necessary to invest capital funding in a 'Recycle to Save Fund'. The recycling fund works by investing funds into a range of energy/carbon saving projects and the projected energy savings are top sliced in the coming years and are reinvested in the fund. This in turn is used to invest in further energy saving schemes.

3.6 In order to make the fund work effectively for the council, the council will need to invest £500,000 and borrow £500,000 from the Salix fund.

3.7 The Salix fund provides interest free loans to public sector organisations for the capital cost of implementing energy saving measures and technologies.

- 3.8 The process works by the organisation creating a ring fenced fund into which they commit funding. Salix then matches this funding, and the organisation then manages the whole fund over time.
- 3.9 The fund invests in individual projects that have payback periods of up to 5 years, and which have long persistence, e.g. insulation. Energy savings from the project are recycled back into the fund. Currently a minimum of 75% of these savings must be used to repay the fund. The remaining 25% can be directed as the organisation wishes, e.g. to front line services.
- 3.10 Salix only expect their grant to be repaid when the organisation has exhausted all possible projects.
- 3.11 The carbon management plan in addition to identifying the funds needed and the potential savings, also identifies a series of projects for implementation. The projects if all implemented would currently deliver a 7000 tonne reduction in our carbon footprint. However, in order to deliver our commitment of a 33% reduction we will need to identify a further 3000 tonnes of carbon savings.
- 3.12 Committing to a carbon reduction programme will deliver real financial savings on energy costs. However, it will also ensure that the council is placed higher in the league table under the new mandatory Carbon Reduction Commitment Energy Efficiency scheme that begins in 2010. Under this scheme the council has to buy carbon credits at £12/tonne for every tonne of CO² it produces. If we reduce the amount of carbon we produce by investing now, we save on the amount of credits we need to purchase.
- 3.13 Energy saving across the organisation (including schools) in excess of £500K could easily be reached if staff were engaged in a council wide campaign to reduce their energy use. The message to be employed in North Lincolnshire will be “save energy, it saves money and jobs “
- 3.14 At the same time a relatively inexpensive Eco driving course for all fleet drivers would be expected to deliver £55000 savings.

4. ANALYSIS OF OPTIONS

- 4.1 ***Do not adopt the plan and take no action to reduce the council's carbon emissions.*** This is not the preferred option as it abdicates responsibility and fails to show strong community leadership in an area where the public expect action.
- 4.2 The North Lincolnshire area sits firmly at the bottom of the National Indicator 186 league(table per capita CO² emissions). This is in part due to our industrial heritage but over 25% of our region's emissions come from our housing stock.

- 4.3 The council and the Local Strategic Partnership (LSP) have included NI 186 in their Local Area Agreement (LAA) and have agreed to reduce the regions CO² emissions by 12% over the lifetime of the agreement.
- 4.4 In order to be able to work with our partners to reduce the region's CO² emissions the council needs to be leading by example and putting its 'own house' in order and leading from the front.
- 4.5 Failure to take decisive action in the area of climate change will also lead to various bodies active within the area to question our commitment and reputation when comparing us against other authorities who are already taking the lead on Climate Change. The adverse impact upon the councils reputation could be significant.
- 4.6 Failure to act on our CO² emissions would also lead to significant financial savings being lost and financial penalties being applied to the council under the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). The modelling work undertaken as part of the Carbon Management Plan has identified a potential Value at Stake saving of over £11 million by committing to actively reduce our Carbon Emissions. In addition to this the CRC scheme would cost the council £12 per tonne for every for the CO² it emits. Reducing our emissions therefore saves the council more money.
- 4.7 Under the Comprehensive Area Assessment (CAA) the council is now assessed on its performance under a new key line of enquiry (KLOE) 'Use of Natural Resources'. A large element of this assessment during 2008/9 was based upon our own and the Region's CO² emissions. One of the recommendations arising out of this assessment was that the council needs to bring its use of natural resources management together in a single strategic document . This Carbon Management Plan is a significant step forward in delivering against the CAA recommendations.
- 4.8 ***Adopt the Plan and move forward towards implementation.*** This is the preferred option as it shows strong community leadership on the issue of Climate Change.
- 4.9 A survey undertaken by the UK Climate Impact Programme asked a selection of people throughout the UK about the role of their council on the issue of Climate Change.
- 76% of those interviewed said that local councils have a key role to play on Climate Change matters.
 - 70% thought that Climate Change should be one of their council's top 5 priorities.
 - 63% thought that their council could do more.
 - 56% thought that councils should force residents to take action on Climate Change and Carbon Emissions.
 - 62% said they would vote for a candidate committed to tackling Climate Change.

- 4.10 Adopting the plan and identifying the necessary finance to implement the plan would lead to significant financial savings not only on energy costs and Climate Change Levy but also by reducing the burden to the council under the CRC scheme.
- 4.11 Adopting the plan and identifying the necessary finance will significantly enhance the council's reputation and move the council forward for the next CAA assessment.

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

5.1 Finance

- 5.1.1 In order to realise the potential savings by adopting this plan, some finance needs to be allocated to carbon management. As part of the modelling it is suggested that the council commits £500,000 to a Carbon 'Recycling to Save' fund and that this is matched by an interest free loan of £500,000 from the SALIX fund established by Central Government.
- 5.1.2 The £1 million recycling fund would be administered by the council and used to fund Energy/Carbon Efficiency Schemes that meet certain criteria. Many schemes have already been identified within the Carbon Management Plan.
- 5.1.3 By reinvesting the potential savings over a number of years and then reinvesting this again in new schemes the £1 Million 'Recycle to Save' fund generates over £2.5 Million of investment. This in turn leads to savings under the CRC scheme.
- 5.1.4 It is important to note that the interest free loan from SALIX does not have to be repaid as long as the recycling condition of a minimum of 60% of the fund is reinvested annually into Carbon Reduction projects.
- 5.1.5 If a fund of £1 Million could be established, 75% of the savings arising from the investment must be recycled into future energy/carbon initiatives. The remaining 25% can be used to support council frontline services.
- 5.1.6 If the system outlined in 5.15 above is followed the table below shows the split between frontline services and energy efficiency investments.

	Council Frontline service provision Fund	Carbon/Energy recycling fund
Year 1		<i>£500,000</i>
Year 2	<i>£40,250</i>	<i>£620,750</i>
Year 3	<i>£93,652</i>	<i>£280,957</i>
Year 4	<i>£123,863</i>	<i>£371,589</i>
Year 5	<i>£123,496</i>	<i>£370,488</i>

5.1.7 In addition to the savings and cost avoidance measures already outlined in this report several other potential savings have been identified which could be realised either through better communications or procedural changes. A few opportunities are outlined below:

- Currently £30,000 is spent unnecessarily on returning hire vehicles back to the supplier empty. **Action:** Procedural change needed
- Purchasing of oil for heating is erratic, with many purchases taking place off contract. **Action:** Communicate to all relevant staff about the contracts that are in place.
- Two contracts are in place for the supply of heating oil. However, prices are not circulated to all the relevant buildings. As a consequence higher prices have been paid. **Action:** Procedural change needed.
- Coordination of heating oil purchases. Currently, deliveries of heating oil is free on purchases over 2500 litres. Often however, properties close to each other have ordered oil on the same day and both ordered 2000 litres. In this situation both properties incur a delivery charge. **Action:** Improving communication between properties so that deliveries can be shared and reduce delivery costs and unnecessary delivery miles.

5.2 Staffing

5.2.1 It is expected that delivery of the Carbon Management Plan and the works identified could be delivered by a small internal team made up of representatives from Highways and Planning, Energy Manager and a representative from Finance.

5.2.2 The additional management fee within the SALIX Recycling Fund could be utilised to offset the additional administrative burden on the council.

5.3 Property

5.3.1 No additional office space will be needed to accommodate additional staff, as this will be delivered within the existing staffing compliment.

5.4 IT

- 5.4.1 It is possible that many IT projects will be identified as possible Carbon Saving Schemes. In this situation the administrative team will consider them in the normal way.

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

6.1 ENVIRONMENTAL

- 6.1.1 Climate Change is acknowledged as one of the great threats to face us. Even if the council acts now it is 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 concluded that not acting now could cost the country far more in the long term. In fact they estimated that it could reduce the nations GDP by up to 20% in 2100. Progressing with the policy outlined in this report will also contribute significantly to the council's target of reducing the Regions CO² emissions by 12% over the next three years. This has now been incorporated within the Local Area Agreement.

6.2 DIVERSITY

- 6.2.1 It is not thought that there would be any diversity implications arising from this report.

6.3 Section 17

- 6.3.1 It is not thought that there would be any section 17 Crime and Disorder implications arising from this report.

6.4 Risk

- 6.4.1 Climate change presents many risks to the way that the council will operate in the future. Further work will be undertaken during 2010 to begin the process of identifying risk within the council as a whole and putting action plans in place to manage the risk.

6.5 Statutory

- 6.5.1 The Climate Change Act 2008 sets legally binding targets for CO² emission reductions of at least 80% by 2050. The Government expects local councils to contribute towards the delivery of this target. Reducing our emissions by 33% by 2013 will be a significant step forward towards the 80% target.

6.5.2 The CRC scheme is a mandatory cap and trade scheme that the council will legally have to participate in from April 2010. Under the scheme the council will be expected to purchase sufficient Carbon Allowances at £12 per tonne to cover all of its relevant emissions. The figure of £12 per tonne will remain in force for the first three years of the scheme, after which the scheme is opened up to market forces and it is expected that the cost of Carbon Allowances will increase dramatically.

7. OUTCOMES OF CONSULTATION

- 7.1 The plan has been developed in conjunction with many sections within the council under the direction of the Carbon Programme Board.
- 7.2 In addition there has been extensive consultation with the Carbon Trust and the Salix Fund to ensure that the information in the plan is relevant, deliverable and above all achieves real carbon and financial savings.
- 7.3 The Unions have been consulted on the process and key messages around carbon management. They support the programme

8. RECOMMENDATIONS

- 8.1 That the Carbon Management Plan be adopted as council policy.
- 8.2 That the potential savings identified within the Carbon Management Plan are directed towards supporting the council's overall budget position. The 'invest to save costs' identified within the plan be considered by the council in February within its budget setting report.

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Background Papers used in the preparation of this report:
North Lincolnshire Council Carbon Management Plan
Salix fund papers