

DERBYSHIRE COUNTY COUNCIL

CABINET MEETING

3 July 2012

Report of the Director of Property

**(FINANCE AND MANAGEMENT)
(TECHNOLOGY AND RECYCLING)**

CARBON REDUCTION INITIATIVE

1. Purpose of the Report

The purpose of this report is to seek approval to undertake a programme of energy efficiency and carbon reduction capital projects across the Council's property portfolio. This initiative is to be funded through the Corporate Capital Programme 2012/13.

2. Information and Analysis

In October 2011, Cabinet approved a corporate carbon reduction target of 25% by 31st March 2015. Whilst efforts are being made to reduce energy consumption through improved on-site energy management and better awareness raising through increased communications and training, capital investment is required to ensure Council buildings are performing as efficiently as possible.

An allocation of £500,000 was therefore approved in the Corporate Capital Programme 2012/13 for energy efficiency projects within Council properties that will help meet the ambitious carbon reduction target. This investment will also help meet Derbyshire's strategic environmental objectives set within the Sustainable Community Strategy, which sets priorities for the reduction of greenhouse gases from the built environment. The current Council Plan also sets an objective to well maintain and manage its assets, including a priority for reducing the Council's carbon footprint.

Along with meeting strategic environmental objectives, the capital investment will also achieve financial benefits. In 2010/11, energy bills from Council properties, including schools, totalled around £8.8M. Effort needs to be made to reduce this current financial cost to the Council and to

mitigate against likely future increases in energy prices. As a participatory organisation in the Carbon Reduction Commitment (CRC), the Council is also required to purchase allowances for each tonne of CO₂ it emits from its buildings. It is forecast that the Council will pay in the region of £650,000 for the CO₂ it emitted in 2011/12. Investing in energy efficiency, will provide financial savings from both energy bills and CRC costs. Although the CRC mechanism is likely to change in future, as announced in the 2012 budget, it is likely that a similar carbon or environmental tax, probably at a higher rate, will be in place, and with measures taken to reduce energy consumption, the Council will be best placed to meet the new regime.

Essentially the budget will primarily be spent on energy efficiency projects on an invest to save basis, whereby financial savings are realised from the reduced energy bills as a result of reduced energy consumption. Once implemented, projects will be monitored to ensure that both cost and carbon savings are identified and reported.

Projects are being identified through consulting with Department heads and identifying potential projects that have been previously recommended through energy surveys carried out for Display Energy Certificates (DECs) or through annual maintenance surveys. It is aimed to target a range of Council properties and those likely to benefit from the fund will include;

- Environmental Services Depots
- Libraries
- Offices
- Schools

The main types of projects to be funded through the capital investment may include;

- Lighting upgrades
- Improved insulation
- Fenestration improvements (including draught proofing)
- Boiler upgrades and controls
- Specialist equipment to improve surveying techniques to identify future efficiency projects

Although more innovative projects, such as renewable energy schemes, will be considered, it is acknowledged that these may not necessarily achieve the quickest return on investment, but will demonstrate the Council's commitment to sustainability. This will, however, exclude solar PV installations as these are being funded through a separate capital investment programme.

To maximise savings, projects will be prioritised based on those which demonstrate quicker returns on investment, those which can be more

easily and quickly implemented, and those that have the potential to achieve a higher CO₂ saving.

It is proposed that in accordance with Financial Regulations, projects up to a value of £20,000 should be approved by the Director of Property. Projects over £20,000 will be reported to the Cabinet Member for Technology and Recycling for approval.

3. Financial Considerations

Projects funded through the carbon reduction capital fund will aim, where possible, to achieve a return on investment within a five year period. Based on this assumption, the fund has potential to achieve £1M savings from energy bills after 10 years of the fund being spent.

Moreover, it is considered that the capital investment has the potential to create additional work opportunities for local employers.

Where schools benefit from savings generated by using the carbon reduction capital budget, they will be required to reimburse the Council for the Capital investment and associated interest charges. An individual Business Case will be provided for each investment to establish payback Terms and Conditions.

Should any renewable energy schemes be financed through this fund, the resulting Feed in Tariffs (FiTs) will be received by the Council, as per the FiTs for the solar PV installations. A separate procedure for the effective monitoring of the FiTs is currently being prepared.

4. Environmental Considerations

Projects funded through the carbon reduction capital fund will, where possible, aim to save 1 tonne of CO₂ for each £100 invested. Based on this assumption, approximately 5000 tonnes of CO₂ will be saved as a result of the capital investment.

5. Legal Considerations

For any school that benefits from the fund, an agreement will need to be entered into with the governing body to ensure that the initial capital outlay is recouped by the Council through the school's energy bill savings.

6. Other Considerations

In preparing this report the relevance of the following factors has been considered; financial, legal, prevention of crime and disorder, equality and

diversity, human resources, environmental, health and transport considerations.

7. Key Decision

YES

8. Call-in

Is it required that call-in be waived for any decision on this report? **NO**

9. Background Papers

None

10. OFFICER RECOMMENDATION

That Cabinet:

1. approves the establishment of a carbon reduction budget utilising the £500,000 allocated in the 2012/13 Corporate Capital Programme.
2. approves the commencement of surveys and feasibility work to appraise and identify the energy efficiency projects that will be implemented.
3. approves agreements being entered into with any school which benefits from the fund to ensure the initial capital outlay and associated interest is recouped by the Council.
4. notes that, in accordance with Financial Regulations individual projects up to the value of £20,000 will be dealt with by the Director of Property, and projects over £20,000 will be considered by the Cabinet Member for Technology and Recycling.

Receives further half yearly reports on how the fund has been utilised along with details of cost and carbon savings.

JEREMY GOACHER
Director of Property