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| | | AGENDA ITEM 6 |
| | | EDE/13/11 |
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| Committee: | Economic Development and Environment Policy & Scrutiny Committee | |
| Date: | 12 May 2011 | |
| SCRUTINY REVIEW ON CORPORATE CARBON REDUCTION AND ENERGY EFFICIENCY | | |
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In September 2010 (Minute 44) the Committee established a Task and Finish Group to undertake a scrutiny review with the following objective:

‘To investigate the effectiveness of the County Council’s carbon reduction and energy efficiency agenda, and proposals on how the Corporate programme will be taken forward and monitored in the future.’

The Group had its first meeting on 17 March 2011, and an interim report setting out the information discussed is attached to this report for the Committee’s information.

The Cabinet Member for Major Projects and Commercial Services advised the Group that a draft Corporate Energy Management Strategy will be ready for consideration in the summer. Therefore it is proposed that the Group will consider that Strategy before reaching any final conclusions on the review, and the referral of recommendations to the Committee.

Action required by the Committee:

The Committee is requested to note the attached interim report of the Task and Finish Group, and endorse the proposal that the Group consider the draft Corporate Energy Management Strategy in the Summer.

Appendix

Economic Development and Environment Policy and Scrutiny Committee
Interim Scrutiny Report of the Corporate Carbon Reduction Task and Finish Group

**Scrutiny Review on Corporate Carbon Reduction
and Energy Efficiency**

(Ref: EDE-SCR-20A)

17 March 2011

List of abbreviations

| | |
|-------------------|--|
| AMP | Asset Management Planning |
| CRC or CRC EES | Carbon Reduction Commission Energy Efficiency Scheme |
| CO ₂ | Carbon Dioxide |
| Defra | Department for Environment, Food and Rural Affairs |
| ECC | Essex County Council |
| EDEPSC | Economic Development and Environment Policy and Scrutiny Committee |
| EMS | Energy Management Structure |
| ESH | Environment Sustainability and Highways |
| FIT | Feed In Tariff |
| P&F | Property & Facilities Department |

Background

At its meeting in September 2010 (Minute 44) the Economic Development and Environment Policy and Scrutiny Committee received a broad overview on the national Low Carbon Transition Plan, and its implication for the County Council. The Committee was particularly concerned that awareness on this matter should be raised because of the serious implications associated with the Council's responsibilities in terms of corporate carbon reduction, and the consequences of failing to meet those responsibilities.

Consequently the Committee established a Task and Finish Group comprising Councillors Gerard McEwen (lead member), Barry Aspinell, David Kendall, Linda Mead, and John Roberts to take forward a scrutiny review on corporate carbon reduction and energy efficiency.

At its meeting in February 2011 (Minute 9) the Committee endorsed a scoping document (EDE-SCR-20A) for the review with the following objective:

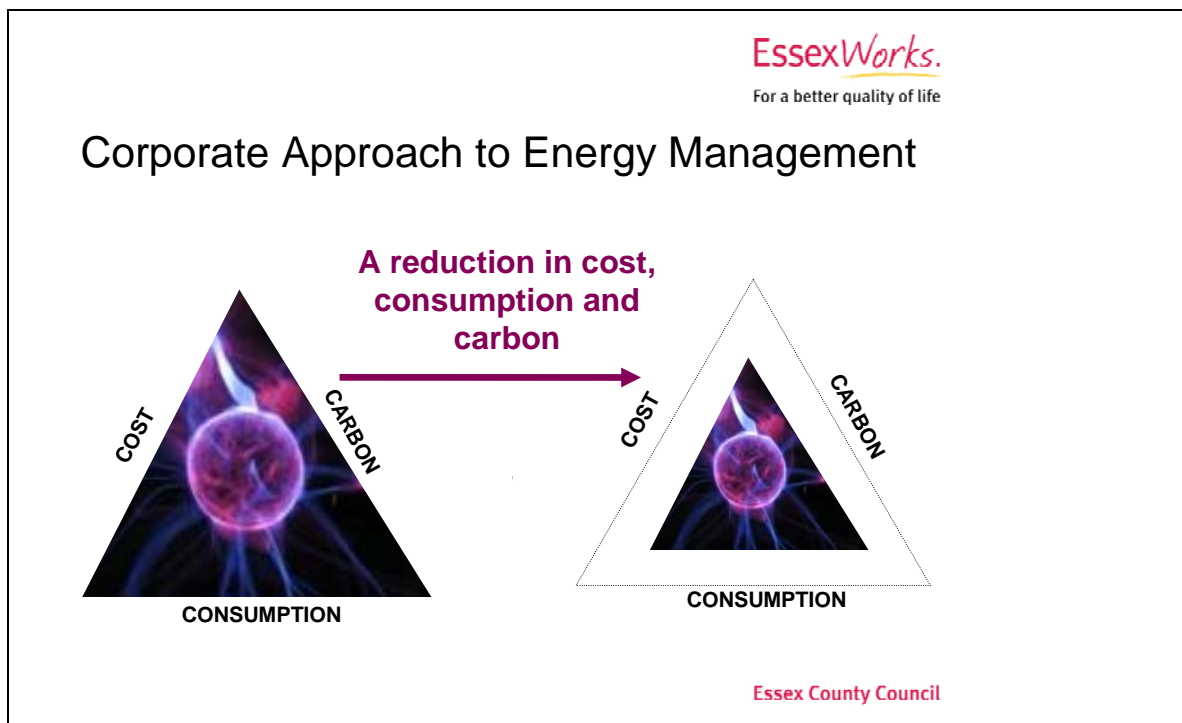
‘To investigate the effectiveness of the County Council’s carbon reduction and energy efficiency agenda, and proposals on how the Corporate programme will be taken forward and monitored in the future.’

The scoping document also set out a preliminary list of issues to be addressed that had been identified to assist the Group as a way of identifying background on the issues under scrutiny. A list of the lines of questioning is attached at the Appendix to this report.

The Group held its first meeting on 17 March 2011. Councillor Louis, Cabinet Member for Major Projects and Commercial Services, and Robert Overall, Executive Director Environment, Sustainability and Highways (ESH), are the Council’s lead Cabinet Member and Officer respectively and attended the meeting as witnesses. They gave a powerpoint presentation setting out the approach being taken by Essex County Council (ECC) towards its own Carbon Agenda.

Analysis

From the outset of giving evidence to the Group, the Cabinet Member emphasised that in Essex corporate carbon reduction has to be considered in the context of the Council’s holistic approach to energy management. While responsibility for its delivery is cross cutting across the Council, the programme’s leadership falls within the remit of the ESH.



The above diagram illustrates how energy management is based on the three Cs ie cost, consumption and carbon, and the aim is to reduce all three and keep them in equilibrium. The intention is to make the three Cs triangle smaller overall.

At present the Council is reviewing its property strategy, which will have implications for its future energy management strategy. Its current portfolio is large and therefore uses a lot of energy. However, as the portfolio is rationalised then energy consumption and costs will be reduced together with the level of carbon. Proposals for the property review have been considered by the Executive Scrutiny Committee.

The national Carbon Reduction Agenda has been undergoing some changes since the Committee first considered the issue, and there remain a number of uncertainties about some aspects of it.

The UK has established four goals for the country's energy policy:

- To cut the UK's CO₂ emissions by 80% by 2050, with real progress by 2020;
- To maintain the reliability of energy supplies;
- To promote competitive markets in the UK and beyond, helping to raise the rate of sustainable economic growth and to improve productivity; and
- To ensure that every home is adequately and affordably heated.

The UK 'Carbon Plan' is centrally driven by the Central Government but does present opportunities at a local level: Feed In Tariff (FIT), Green Deal, and low carbon vehicles. Local authorities are affected directly by the Carbon Reduction Commission Energy Efficiency Scheme (CRC EES).

When the Committee's review was first conceived by its Members, an important reason for taking it forward were the potential financial penalties if the Council fails to reach its carbon reduction targets. The Government's original scheme envisaged that if those organisations that fall within the CRC ESS fail to reach their targets they would be penalised, and those that performed well could potentially be rewarded. The provision for recycling rewards has now been removed from the Scheme.

Overall the CRC is still evolving. However, the baseline for the amount of energy consumed by the Council will be set this year as part of the CRC, and the Government target that it will have to work to will be based on that figure. While there remains uncertainty on how the CRC will impact upon the Council, it is estimated that energy may cost in the region of £12 per tonne and it could be faced with liabilities because of the volume of energy consumed.

The current situation is that no targets have been set by the CRC as yet. The allowances cap will be nationally determined and in line with national carbon budgets. The financial implications for the Council are:

- Greater financial risk will depend on price of carbon.
- Financial penalties for late and/ or inaccurate reporting.
- Reputational risk

National Performance Indicator NI 185 had no targets and will be replaced by Defra guidelines, which are under consultation. There are no financial implications associated with the Indicator.

The witnesses confirmed that the proactive approach was being developed by the Council towards a Corporate Energy Management Strategy (EMS) that will put it in a good position to respond to the Government's carbon initiatives, despite the current uncertainties that exist.

The Council's own policies and targets for Corporate Carbon Reduction include:

- Local Indicator (LI) 28 – 10% reduction on a 2007/8 baseline by 2010
- LI28 adopted following the Carbon Trusts Local Government Carbon Management Programme. There are a number of projects that fall within this programme including street lighting, low energy bulbs, and car mileage.
- The implementation of both technical and behavioural projects.
- Responsibility for delivery is cross cutting, programme leadership sits within ESH led by Robert Overall.

In terms of a Corporate EMS, the Council's Property & Facilities (EP&F) has a specific Energy Strategy for the Council's Premises with the following objectives:

- To manage utility costs.
- To reduce consumption and carbon emissions.
- To ensure statutory requirements are met.

Activity is taking place across the Council towards the development of a Corporate Carbon Strategy. At present a database is being compiled of energy consumption across the whole of the Council's services including school properties, which is due to be completed in summer 2011. This will give rise to the baseline figure for the Council under the CRC. It will also underpin the EMS.

In terms of the Council's individual Services, the Cabinet Member confirmed that the Cabinet has adopted a collaborative approach and the EMS is corporately owned. There are various forum where issues are considered, which means that a measured approach may be taken to projects at a corporate and local level. By way of example an issue such

as the street lighting pilot has been considered in terms of the three Cs (cost, consumption and carbon), not just one of them. While safety concerns were raised about switching off lights at nights, there was no empirical evidence to support this view. Nevertheless the business case that is being developed will also take in account modern changes in technology that may require significant investment but may result in longer term benefits in terms of reduced consumption, reduced carbon, and reduced costs.

Schools

Under the CRC the Council's energy consumption includes the energy used by schools, which poses difficulties in terms of being able to implement a carbon reduction programme. Schools are individually managed through their own management structures.

The Council's EP&F is improving the monitoring of energy consumption across its whole activity including that of schools. It has initiated an on-line web portal to acquire actual meter readings. Through a more proactive approach it is taking the opportunity to achieve greater efficiencies and reduce energy bills.

It is important that schools are encouraged to reduce their individual emissions, and the following channels are being used to influence them:

- Opportunity to engage with schools
- Communication through schools infolink
- Governor Forums
- Asset Management Planning (AMP) Consultative Group
- Gatekeeper Reference Group
- Implementation of a carbon management strategy for schools

At a practical level the Council can use technical and behavioural methods to reduce carbon emissions:

- Technical: Install energy efficient lighting, lighting controls, loft insulation, improved boiler controls, thermostatic radiator valves.
- Behavioural: educate and encourage staff and pupils.

At the meeting Councillor Roberts drew attention to a number of devices that already exist in the market to reduce the voltage of electricity that is consumed and, in turn, reduce costs and carbon emissions. While the Director confirmed that he would look into the possibilities for installing such equipment, he advised that there was experience that some of the new technology and eco friendly systems that may be installed are more complex in practice. In turn they require more specialised expertise in terms of management and maintenance that may not necessarily be available on site, and they may become less efficient and incur higher maintenance costs.

Although the Group had intended to develop its consideration of the Council's own generation of renewable energy following on from this particular review, it welcomed the Cabinet Member's clarification of the following matters:

- The Council can claim for funds from:
 - Renewable Heat Incentive (generating heat from renewables)
 - Feed in Tariff (generating electrical energy from renewables)
- Photo Voltaic feasibility study commissioned.
 - Includes opportunities for £35,000 annual income with no initial outlay
- More energy generated from renewables means:
 - Less carbon reduction commitment allowances
 - Less energy bought from grid
- Investment must be based on a sound business case

There have been improvements in the market for the generation of energy partly as the result of Government incentives. As part of the Council's Property Strategy attention is being given to opportunities for improving energy management within its remaining properties. There are some examples such as Birmingham and Bristol City Councils where some lessons may be drawn from their experience towards making improvements in Essex.

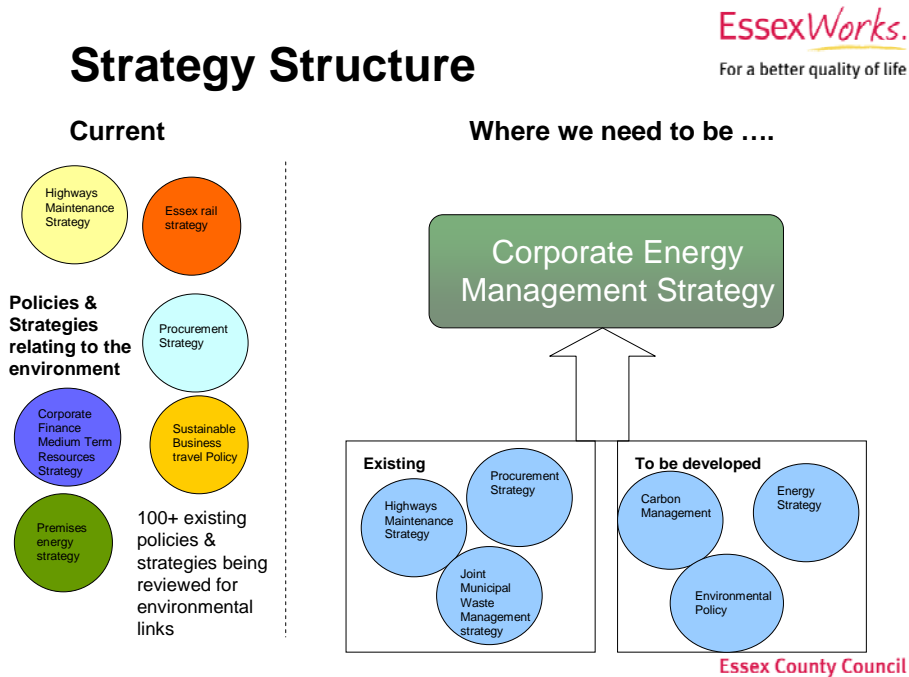
Across the UK local authorities are seeking to address the requirement to reduce carbon emission, and Essex is mindful of taking into account experience from other Councils in formulating its own approach. Some examples are:

- Energy Management Review (2008)
 - Success from good communication and high level support, and
 - no clear "ideal" energy/ carbon management structure.
- Highways authorities are exploiting street lighting savings, and therefore experience is being shared among councils as well as collaboration between technical experts.
- Hertfordshire County Council is a leading authority in this field, and therefore Essex is accessing its expertise to inform the development of its own corporate strategies. There may also be some opportunities for joint working and sharing of resources.

Findings and recommendations

Taking into account the information shared at the Group's meeting, it was acknowledged that the development of the Corporate EMS is central to the way that the Council will take

forward its carbon reduction agenda. The following diagram was submitted to illustrate the current and proposed position on the strategy:



The Cabinet Member informed that Group that it was intended that the draft EMS would be ready for consideration in summer 2011 subject to the Government concluding its consultation and reporting back on the CRC. He indicated that he would be willing to bring the draft to Members for their attention.

The Group confirmed that it had found the meeting very useful and it had a better understanding of the issues associated with the Council's Corporate Carbon Agenda. Consequently the Group agreed that it would reconvene in the summer to consider the draft EMS when it becomes available.

Appendix

Extract from 'Issues to be addressed' set out in scoping document EDE-SCR-20A

The lines of questioning will include:

What is the national Carbon Reduction agenda, and what implications does it have at a corporate level for local authorities? Has this changed since September?

What are the current Essex County Council policies and targets for corporate carbon reduction, and what initiatives have taken place to achieve those targets?

How is corporate responsibility for carbon reduction delegated within the Council since the recent changes to the Officer Structure?

Does the Council have a Corporate Energy Strategy? What are its objectives and how will it be implemented?

How does that Strategy address the broad portfolio of Council activity, and those bodies that contribute to its overall measured carbon output eg schools?

What are financial implications associated with the Strategy?

How have targets been identified to reduce the Council's responsibilities in terms of carbon emissions? If they are achieved will the Council avoid the payment of any financial penalties? If they are not met what are the levels of financial penalty envisaged?

What is the timescale for achieving those targets?

Is there a Carbon Reduction Action Plan in place and, if so, how will it be monitored?

What action is being taken to ensure that the Council's broad portfolio of activity including procurement, highways, school services, finance, and environment are adhering to the requirements . Given that all its services contribute to the Council's total corporate carbon output and inter alia the targets that will be set for its carbon reduction targets, how will it ensure that all of its services are proactive in taking action to reduce their individual carbon emissions?

As schools will be an important contributor to the Council's total output of carbon emissions and they operate independently of the Council, how will each school's energy efficiency be monitored?

How can local authorities encourage schools to take action to reduce their carbon emissions?

Are there any examples across the country where energy savings have been secured by more effective school management?

If the Council generates energy itself will that count in its favour?

What is the experience elsewhere in the country of local authority carbon reduction initiatives that have or have not worked on a corporate scale?
