

## CABINET

24 JULY 2012

<b>Title:</b> Carbon Management Plan 2011/12 – 2015/16	
<b>Report of the Cabinet Member for Finance and Education</b>	
<b>Open report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Not applicable	
<b>Accountable Director:</b> Tracie Evans, Corporate Director of Finance and Resources	
<b>Summary:</b>  This report sets out the work that has been undertaken in producing a Carbon Management Plan (Appendix 2) for the London Borough of Barking and Dagenham. The Plan proposes a carbon reduction target of 20% from the Council's activities to be achieved by 2015/16.  The Plan outlines the Council's approach and its plans for reducing carbon emissions to mitigate against climate change. A flexible programme of projects has been identified which will set the Council on track to achieving the target.	
<b>Recommendation(s)</b>  The Cabinet is recommended to agree:  (i) The approach to carbon management of the Council's own activities as set out and summarised in the Carbon Management Plan attached at Appendix 2 to the report;  (ii) The implementation of the Carbon Management Plan 2011/12 – 2015/16 (Option 2) to reduce emissions and associated consumption from corporate properties (excluding schools which will be addressed via the Collaborative Low Carbon Schools Service (CLCSS) scheme) by 20% over the life of the plan through the indicative programme of projects in Year 1 of the programme and future projects identified;  (iii) The continued assessment of future projects to bring forward in later phases of the Plan, subject to funding availability; and  (iv) To delegate authority to the Corporate Director of Finance and Resources to approve the Carbon Management Plan for publication.	

## **Reason(s)**

The implementation of the Carbon Management Plan (Appendix 2) will allow the Council to meet its Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES) (formerly known as the Carbon Reduction Commitment) obligations, and concurrently realise financial savings in the reduction of energy usage and the encouragement of others to adopt carbon management strategies and build carbon reduction and other sustainability measures into their activities.

Through this Carbon Management Plan, the Council is able to see that the 'Value at Stake' for not taking action on carbon reduction is a cumulative 25,700 tCO<sub>2</sub> and £7.5 million by March 2016.

## **1. Introduction and Background**

- 1.1 In July 2006 Executive agreed to implement an Energy Efficiency Programme and later adopt a Carbon Management Programme across Council Buildings and activities, to reduce the authority's energy consumption and carbon emissions.
- 1.2 In April 2010 the CRC EES went live (this is administered through the Environment Agency and is mandatory for large public and private sector organisations in the UK); therefore the target and commitment in the reduction of CO<sub>2</sub> emissions was adopted by the London Borough of Barking and Dagenham. The CRC EES is part of a package of measures within the Climate Change Act, which aims to save over 4 million tonnes of CO<sub>2</sub> by 2020. As a participant the Council is required to accurately measure carbon emissions and provide an annual footprint report.
- 1.3 The scheme requires participants to monitor their emissions and purchase carbon allowances to cover the projected emissions for each year. The more CO<sub>2</sub> an organisation emits the more allowances it has to purchase; therefore there is a cash benefit associated with a reduction in the allowances that need to be purchased and a further benefit of a reduction in utility expenditure associated with reducing our carbon emissions.
- 1.4 The footprint report submitted to the Environment Agency (2010/11) detailed 25,778 tonnes of CO<sub>2</sub> created, while the recommended emissions (94%) submitted to the Environmental Agency in respect of the Annual Report detailed 25,893 tonnes of CO<sub>2</sub>, costing £313,704 (this is the estimated payment which LBBDD would have been liable for had charges been applicable in the first year of the scheme); schools were liable for 50% of this. Purchase of the carbon credits for the Financial Year 2011/12 is estimated in the region of £400k; this is based on the consumption of approximately 33,000 tonnes of carbon at a unit rate of £12, and is due by the end July 2012.

## **2. Proposal and Issues**

- 2.1 The Carbon Management Plan 2011/12 – 2015/16 (Appendix 2) supports the Authority's commitment to reduce CO<sub>2</sub> emissions of 20% by 2016 and provides details of the financial spend and CO<sub>2</sub> savings. Financial constraints within the Council have meant that Salix funding is currently the main delivery method for the

Carbon Management Plan. There has previously been a considerable amount of activity across the Council to reduce energy and CO<sub>2</sub> emissions. It is anticipated that through improved data collection and by implementing more energy efficiency projects the target set within the Carbon Management Plan (Appendix 2) will be readily realised.

- 2.2 A proposed energy and financial saving project recently identified and currently being proposed is detailed in Appendix 1 in respect of changing street bollard lighting. The table shows cost comparisons between 740 bollards using 2 x 11W lamps burning 24 hours per day (currently in place), and their replacement with 740 bollards using 7W LED units with light sensing technology.
- 2.3 The Council previously agreed to ring fence the Carbon Management Fund so that annual savings are repaid into the fund and it becomes self perpetuating. Provided that we continue to manage the fund in the way prescribed by Salix (this is a recycled interest free energy efficiency loans scheme available to public sector bodies) then no repayment to Salix will be required and the payments by Salix are effectively an open ended interest free loan.
- 2.4 Delivery of the Carbon Management Plan will be monitored through the Carbon Board Group, whose key objectives are to:
  - Embed carbon management as a corporate priority which is reflected in key strategies and plans. This objective focuses on ensuring that there is a clear and consistent message in key documents. The Council is committed to reducing carbon emissions and activities are detailed so that progress can be monitored and achievements recognised.
  - Raise awareness of how and why we need to save energy. This objective recognises the need to ensure that all staff understand the contribution they can make to reducing energy use and carbon emissions as individuals and as teams.
  - Undertake improvements to Council buildings to reduce energy use and carbon emissions. Activities detailed focus on physical improvements to our buildings (excluding schools) and form part of the Council's Asset Management strategy. Actions include the installation of high efficiency modulating burners, LED lighting upgrades and draught proofing of windows; many of the works are funded through Salix as explained in 2.3 above.
  - Provide accurate data regarding energy use across the Council to support monitoring and identify areas to target.
- 2.5 During March 2012, the Carbon Management plan achieved 'sign-off' from the Carbon Trust, which continues to be a 'working' document. During its lifespan new carbon reduction projects identified will accordingly be reviewed and encapsulated as appropriate to ensure that the objective of 20% CO<sub>2</sub> reduction is achieved.

### **3. Options Appraisal**

#### **3.1 Option 1**

Do nothing - The value at stake for not taking action on carbon reduction will be a cumulative 25,700 tCO<sub>2</sub> and £7.5 million by March 2016. This option has been disregarded as unsuitable.

#### **3.3 Option 2**

Fully implement Carbon Management Plan 2011/12 to 2015/16 (Appendix 1). If the Council is able to fund and implement all of the projects in this plan (during the Carbon Management Plan's lifespan), it stands to see annual savings of approximately 2,854.5 tCO<sub>2</sub> and consequently £546,498, thereby achieving the Plan's objective. This is the recommended option as it delivers both carbon and financial savings.

### **4. Consultation**

4.1 The proposals within this report have been discussed with the Carbon Trust, members of the Carbon Board Group and accordingly circulated to all relevant council officers for comment.

### **5. Financial Implications**

Implications completed by: Jo Moore, Finance Group Manager

5.1 In the 2010/11 financial year the Authority spent around £7.6m on energy within its Public Buildings, Schools and Housing areas. The Council has recently entered into a new flexible energy contract that is due to commence on 01 October 2012. It is possible that the current unit cost paid by the Council will increase under this new contract, however, at this stage the actual impact on costs is not known.

5.2 Carbon Reduction Commitment (CRC) charges have also been introduced for 2011/12 and the Authority is going to be charged the sum of around £400,000 which is based on the consumption of approximately 33,000 tonnes of carbon at a unit rate of £12. Between 2013/14 and 2017/18 the unit rate of charge per tonne for carbon consumed could increase to £30 which could potentially result in our CRC charges soaring to £990,000 (this is based on our current consumption).

5.3 The implementation of this plan will result in the prevention of increased energy consumption and a reduction in carbon emissions, whilst simultaneously assisting the Authority in achieving its objective in mitigating the increase in its energy costs. However, it is likely that the Authority's consumption of energy will increase as a result of an increasing population and heavier demands being placed on existing schools places and public buildings, coupled with our school expansion programme.

5.4 The investment needed to implement the projects identified in the plan has been estimated at £2.5m. However, only £1.3m has been allocated as part of existing and planned projects. This leaves a funding gap of £1.2m which will need to be found if the Carbon Management Plan is to be fully delivered and for the Council to fully realise the benefits.

- 5.5 Failure to attract or identify sufficient funding to implement the full programme of schemes is a significant risk which will result in the Carbon Management Plan failing to achieve its targets; and higher than planned energy costs and increased CRC payments.
- 5.6 The figures in relation to the Council's current carbon emissions and proposed increased in energy costs and potential savings from the introduction of this plan have been provided by the Carbon Trust in consultation with the Energy Team.

## **6. Legal Implications**

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 6.1 As stated within the main body of this Report the CRC EES is a scheme that has been implemented pursuant to the Climate Change Act 2008. The CRC Energy Efficiency Scheme Order 2010 imposes a number of carbon reduction and reporting obligations which the London Borough of Barking and Dagenham, as a public body, is subject to.
- 6.2 Section 3 has identified the options available to the Council. The 'do nothing' option would also potentially expose the Council to both civil and financial penalties for non-compliance under the CRC Energy Efficiency Scheme Order 2010.
- 6.3 Central Government is currently consulting on and will be reviewing the provisions of the CRC Energy Efficiency Scheme Order 2010. The Government aims to simplify the scheme with revised reporting and allowance arrangements. It will be essential for the Energy Panel to be aware of any amendments that are made to the Scheme and ensure that the Council's plan encompasses any relevant changes to ensure ongoing compliance.
- 6.4 The proposals set out in this report will ensure that the Council adheres with its statutory obligations.

## **7. Other Implications**

### **7.1 Risk Management**

#### Current Risks

- 1) If projects identified in the Carbon Management Plan (Appendix 2) are not implemented, we will not achieve the 20% target set by 2016;
- 2) Unable to secure project leaders from different divisions and departments for energy efficiency projects;
- 3) Securing additional funding for energy saving initiatives;
- 4) Potential forthcoming changes in CRC and 'Green Deal' legislation and its financial impact on LBBD and residents;
- 5) Ensuring that funding allocated for projects are spent in the most effective way that exist in-house as opposed to out-sourcing;
- 6) Time delays due to internal procurement processes; and

- 7) Salix recycled fund for the Carbon Management Programme do not achieve the savings predicted and the pay- back period may be longer than anticipated.

#### How these risks are managed

- 1) Ensure that projects contributing to the Carbon Management Plan are accordingly implemented. Progress will be monitored at the Carbon Board Group which is chaired by the Corporate Director of Finance and Resources;
- 2) Relevant Carbon Board member will be responsible for identification of appropriate project lead;
- 3) As part of the project identification and validation process, Board members are responsible for ensuring project robustness and establishing appropriate funding (i.e. internal or external);
- 4) Energy Team will continue to closely monitor the current consultation document and accordingly advise;
- 5) Utilise existing resources;
- 6) Ensure close involvement with LBBB's Procurement Team at the earliest stage. To help facilitate this, a member of the Corporate Procurement Team sits on the Carbon Board;
- 7) Ensure all projects identified are robustly progressed via the Salix Finance Compliance process to achieve projected achievement.

**7.2 Staffing Issues** - To ensure the Energy Team can successfully deliver the Carbon Management Plan and its associated benefits including reduced carbon emissions and financial savings, it is imperative that Project Leads are given sufficient time, support and resources to deliver projects.

**7.3 Property / Asset Issues** - No specific implications, other than improved energy efficiency coupled with realised financial savings.

#### **Background Papers Used in the Preparation of the Report:**

- Cabinet Minute 67, 12 July 2005
- Cabinet Minute 33, 17 July 2007
- Resources DMT, 22 April 2009

#### **List of appendices:**

- Appendix 1 – Example of Proposed Energy Saving Project for Bollard Replacement
- Appendix 2 – Carbon Management Plan