

Southend-on-Sea Borough Council

Agenda
Item No.

6

Report of Corporate Director for Place

To
Place Scrutiny
On 13 October 2014

Report prepared by
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Low Carbon Energy and Sustainability Strategy 2015-2020

Executive Councillor: Councillor Longley

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1. To consider Southend on Sea Borough Council's ('the Council') Low Carbon Energy and Sustainability Strategy 2015-2020, which will replace the Council's first low carbon energy strategy that was published in 2012 and runs until the end of December 2014. The report is seeking views on the proposed Strategy as part of pre-Cabinet Scrutiny and prior to it being considered at Cabinet on 11 November 2014.

2. Recommendations

- 2.1 **That Scrutiny Members consider the Low Carbon Energy and Sustainability Strategy 2015-2020 and provide comments for inclusion to the strategy for Cabinet approval.**
- 2.2 **That Scrutiny Member's views are sought in respect to the Council becoming a signatory to the Local Government Association's 'Climate Local' initiative, which acts as the successor to the Nottingham Declaration on Climate Change.**
- 2.3 **That Scrutiny Member's views are sought on the level of ambition and direction of the Strategy and its implementation.**

3. Background

- 3.1 In 2012 the Council became the first local authority in Essex to publish a specific low carbon energy strategy, which looked to identify the opportunities available to the Council through the growth in the low carbon and environmental

sector and the risks from issues including rising energy prices and the future impacts of climate change on the Borough.

- 3.2 The original strategy covered a two-year period in order to help the Council build capacity and further its understanding on the above before setting more ambitious targets from 2015 onwards. The strategy also aimed to demonstrate the Council's commitment to support key government greenhouse gas emission reduction targets under the Climate Change Act 2008, which placed a legal obligation on the UK to reduce its overall carbon emissions by at least 34% by 2020 and 80% by 2050 (both based on 1990 carbon emissions levels).
- 3.3 The successor to the Council's first strategy – Low Carbon Energy and Sustainability Strategy 2015-2020 – focuses upon delivering low carbon growth, improving energy efficiency and providing a more sustainable future for the Borough's residents, communities and businesses.
- 3.4 **As part of the original strategy, the Council signed the Nottingham Declaration on Climate Change. This has now been replaced by Climate Local which is an LGA initiative supported by the Environment Agency Climate Ready service to drive, inspire and support Council action on climate change. As part of the new Strategy, it is proposed that the Council joins the Climate Local initiative.**
- 3.5 In addition, it provides the Council with the opportunity to safeguard against rising energy costs, make efficiency savings and explore new revenue models at the time of public sector cutbacks and help deliver local objectives around health and well-being, housing, fuel poverty, air quality, transport, education, economic development and community cohesion.
- 3.6 The Low Carbon Energy and Sustainability Strategy 2015-2020 covers a five year period and has the overriding objective of establishing Southend on Sea as a 'Low Carbon City' by 2020. The aims and objectives of the second strategy are more ambitious than its predecessor and has identified six key focus areas to target delivery upon:
- Focus Area One: Reducing our Carbon Emissions;
Focus Area Two: Policy and Regulation;
Focus Area Three: Delivering a Local Low Carbon Economy;
Focus Area Four: Supporting Low Carbon Communities;
Focus Area Five: Encouraging Sustainable Transport and Travel; And
Focus Area Six: Adapting to Climate Change and Enhancing Biodiversity
- 3.7 The new strategy will be supported through an Action Plan to ensure progress in all focus areas is coordinated and maintained and a Communications Strategy to ensure engagement with key stakeholders both in the short and longer term.
- 3.8 The Low Carbon Energy and Sustainability Strategy 2015-2020 has been drafted to enable the Council to target European Union funding, particularly Horizon 2020 - a programme with an available budget of €79 billion to spend between now and 2020.

4. Ambition and Implementation

- 4.1 Many of the potential energy reduction and generation projects described in Focus Area One are scalable and are limited as much by the ambition and desire of policy makers as by available resources. **Scrutiny Committee Members are asked to provide guidance as to the overall scale of the strategy as well as implementation speed bearing in mind the factors below:**
- 4.2 With the exception of some defined projects where the financial benefit will flow to residents, only projects where all of the funding costs are repaid by revenues within the project will be considered. Most projects will provide a net positive contribution to Council revenues for 20 years or more.
- 4.3 Aspects of revenue and funding have implications for timing and implementation meaning that projects delivered quickly and at larger scale will provide the greatest positive impact on Council revenues.
- 4.4 Much of the revenue generated by the projects will come from the Government Feed in Tariff and Renewable Heat Incentive programmes. Both of these programmes have an inbuilt regression mechanism which reduces the level of tariffs over time linked to scheme take up even when equipment costs have not fallen. Once awarded, the tariffs are linked to inflation but delays in implementation will reduce projected revenues faster than technology costs will fall. So in order to achieve the maximum benefits the Council will need to decide relatively quickly what scale of intervention / activity it wishes to make.
- 4.5 As no budget or funding has been allocated, all projects have been assessed assuming borrowing. As interest rates rise, the net impact on Council revenues will fall. As mentioned in 4.2. only projects where all of the funding costs are repaid by revenues within the project will be considered. The projects will be addressed on an 'invest to save' basis with all costs for implementation and funding repaid by project revenues. In addition, projects are expected to yield between 1-3% return on investment to the Council each year for 20 years net of all funding and interest costs. Some of the projects will also provide financial returns for residents or businesses. **Scrutiny Committee Members are invited to make comment regarding the upper limit that the Council would be willing to borrow/invest to save in order to enable the delivery of the pipeline of low carbon projects that have been identified.**
- 4.6 Implementation speed will be limited by a number of factors over which the Council has limited control which may temper both ambition and what can be achieved:
- 4.7 Many of the projects are predicated against voluntary take up of the scheme by residents and businesses within the borough. If take up is low, the impact of the project will be limited as will the funding required.
- 4.8 Projects that generate electricity require the agreement from the Distribution Network Operator (DNO) to proceed. Additional connection costs have been provided for but the DNO can refuse or limit the size of schemes if it will adversely impact their infrastructure.

- 4.9 Many of the projects will require planning permissions, including, for example, biomass boiler rooms, large scale solar and wind generation.
- 4.10 The larger the proposed scale of the projects, the more impact availability of labour and equipment will have. Balancing this, the economic impact of projects on this scale will help to stimulate the local and regional economy.
- 4.11 Some low carbon and renewable projects have the potential to be controversial and attract a public reaction. Scrutiny Committee Members are asked to provide guidance on the scale and ambition for renewable energy projects that focus on wind and solar technologies, which are two of the most visible schemes that the Council can undertake.
- 4.12 **This report is written specifically for the Scrutiny Committee Members to gauge the scale of intervention Members would wish to consider. The more the Council is able to invest at an early stage, the greater the returns are likely to be and it is noted that the projects are scalable in their nature and can be stepped up to provide greater savings from more investment. However this needs to be considered in the context of the Council's overall budget position.**
- 4.13 **Scrutiny Committee Members views are sought on the proposal to establish a Low Carbon Offset Fund. The fund would be used to fund energy efficiency and renewable projects across the Borough's estate. The fund would be the one of the first steps taken by the Council to support Government objectives to establish Zero Carbon Developments expected to come into force in 2016 and such funds are expected to form a part of the legislation. This approach has already been adopted by Milton Keynes Council and Southampton City Council.**

5. Other Options

- 5.1 The Council has the option not to replace the existing Low Carbon Energy Strategy 2012-2014 and build on the progress that has already been made in addressing rising energy costs, future fuel security and associated costs of climate change.

6. Reasons for Recommendations

- 6.1 The recommendations have been made in order to position the Council as a leading local authority in the East of England with regards to the UK's transition to the low carbon economy. Successful implementation of the new strategy will provide the Council with the opportunity to establish new funding streams (including EU funding bids), efficiency savings and revenue sources (including money generated through renewable energy installations).
- 6.2 The new Strategy provides an excellent opportunity for the Council to make a real contribution in delivering local objectives around health and well-being, housing, fuel poverty, air quality, transport, education, economic development and community cohesion.

7. Corporate Implications

7.1. Contribution to Council's Vision & Corporate Priorities

The measures listed above are in line with the Corporate Priorities and also the Council's vision in terms of becoming an exemplar authority by developing best practice and supporting the Council's vision to become a city and support the regeneration of the Borough.

7.2. Financial Implications

- 7.2.1. A major objective of the Low Carbon and Sustainability Strategy 2015-2020 is to help the Council safeguard against rising energy costs, make efficiency savings and explore new revenue generation models at a time of public sector cutbacks.
- 7.2.2. The new Strategy identifies a pipeline of low carbon and renewable projects that will mostly be 'cash positive' from year one across both the Council's property estate and from utilising assets throughout the Borough. The Council will need to consider funding the projects through private sector suppliers and Energy Service Companies (ESCOs), the Public Works Loan Board, existing capital works programmes, a variety of European schemes (Horizon 2020, Life, JESSICA, ELENA), the Euro Energy Efficiency Fund and the Green Investment Bank.
- 7.2.3. The successful implementation of the new Strategy will enhance the Council's prospects of securing EU funding and the Council should establish a cross-departmental group that specifically targets securing EU funding.
- 7.2.4. Currently no council funding is contained within the existing capital or revenue budgets for any new identified projects in this strategy. If any projects require Council funding they will need to be considered as individual projects as part of the annual budget process in determining annual Revenue and Capital budgets.
- 7.2.5. Projects are expected to deliver a financial return of between 1-3% each year net of all costs.

7.3. Legal Implications

- 7.3.1 The Low Carbon Energy and Sustainability Strategy 2015-2020 complies with the Climate Change Act 2008 and Carbon Reduction Commitment Energy Efficiency Scheme and supports the UK's targets for energy generated from renewable sources.

7.4 People Implications

- 7.4.1. The Council will need to establish a team to deliver the pipeline of low carbon and renewable projects, but this will depend on the scale of the projects that the Council undertake. Most of the costs of staffing projects can be paid from the cost savings and money generated from energy efficiency and renewable generation returns but there will be some pre-project work and costs which will be more difficult to fund in this way.

7.5 Property Implications

- 7.5.1. The Council will need to continue working in a coordinated fashion to ensure that priority projects are delivered.

7.6 Consultation

- 7.6.1. The Council has sought input from a number of organisations based within the low carbon and environmental sector – including Sustainability East, the Energy Saving Trust and Pure Leapfrog - they have also consulted with local groups (e.g. Trustlinks) and with relevant departments from within the Council. The individual sections within the strategy have been drafted by the responsible teams and managers, so already reflects existing Council activities.

7.7 Equalities and Diversity Implications

- 7.7.1. The Council will need to be aware that the groups in the community most vulnerable to increased energy costs will be those in disadvantaged areas and an Equality Impact Assessment is being undertaken.

7.8. Risk Assessment

- 7.8.1. There is a risk that if the Council fails to adopt the Low Carbon Energy and Sustainability Strategy 2015-2020 that it will not adequately safeguard itself against the risks associated with future fuel security, rising energy costs and climate change.
- 7.8.2. There is a risk that the Council could miss out on future funding and grant bids by not approving the new Strategy and becoming a signatory to Climate Local.
- 7.8.3. There is a risk that by failing to act and promote the low-carbon economy sufficiently to local residents and businesses that there will be negative health implications e.g. increased number of properties falling within fuel poverty, winter deaths and negative economic implications.

7.9. Value for Money

- 7.9.1. The vast majority of work proposed in the new Strategy already falls within existing work streams at the Council and although additional staff time will be required to embed low-carbon and sustainable considerations into the Council's decision-making processes the benefits will far outweigh the costs.
- 7.9.2. The Low Carbon Energy and Sustainability Strategy 2015-2020 has been drafted to help the Council deliver local objective around health, congestion, education, housing, air quality, economic development and social inclusion.

7.10. Community Safety Implications

- 7.10.1. Adopting a proactive approach on the transition to a low-carbon economy will help to address poverty and health inequalities.

7.11. Environmental Impact

7.11.1. Adoption of the Low Carbon Energy and Sustainability Strategy 2015-2020 will help the Council improve its overall environmental performance and result in a reduction in carbon emissions and the promotion of the sustainable use of resources throughout the Southend on Sea Borough.

8. Background Papers

None.

9. Appendices

Low Carbon Energy and Sustainability Strategy 2015-2020