SURREY COUNTY COUNCIL

Council Overview and Scrutiny Committee
29 January 2015

Carbon and Energy Policy for 2015 to 2019

Purpose of the report: Policy Development and Review

Introduction

The purpose of this report is to update the committee on the past four years of the council's energy and carbon policy and seek views on the proposed policy for 2015 to 2019, ahead of seeking Cabinet approval of the policy in March 2015. The draft policy sets out the council's approach to becoming a resilient and low carbon council. A briefing on the council's emerging Carbon and Energy Policy April 2015 to March 2019 is attached at **Annex A.**

Summary of the issue

This policy is required to enable the council to address a number of key challenges, opportunities and expectations on the council, including:

- Managing budget pressures in the context of volatile and typically above inflation unit energy price increases and the ongoing challenging financial climate
- Demonstrating leadership to reduce carbon emissions
- Ensuring joined up decision making across the council's services in respect of implications for energy and carbon
- Supporting schools to be more cost efficient and environmentally sustainable
- Harness the potential benefits from innovation and new models of delivery
- Develop wider benefits to Surrey's economy and local environment, such as employment in the low carbon economy sector and air quality benefits.

In 2013/14, the council - including Academies - emitted 93,000 tonnes of carbon dioxide and other greenhouse gases. The council spent a total of £14M on energy in all non-school buildings, fuel for fleet vehicles, business travel payments and Carbon Reduction Commitment (CRC) liabilities. Schools - excluding Academies - spent a further £8.2M on electricity, gas and oil in 13/14.

The effectiveness of the council's programme of carbon reduction in corporate buildings and maintained schools has been previously reported to the O&S Committee:

- Investment of £9.2M in energy efficiency measures, over a three year period from 10/11 was estimated, (based on samples from the SCC estate) to have contributed to a cumulative cost avoidance of £1.1M to date.
- Accounting for typical energy price inflation at 5% pa, the average payback period is expected to be 6 to 7 years. Further savings from subsequent years are still subject to verification.

- This contributed towards a 9% reduction in overall carbon emissions over the 2010-14 period of the previous policy, after accounting for the impacts of weather variations (or a 12% absolute reduction, if not accounting for weather)
- Investment in new streetlighting through a large-scale PFI agreement also contributed to this emissions reduction.
- Overall this scale of change is broadly comparable to other councils in the south east who report on a similar basis.

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The proposed Carbon and Energy Policy for 2015 to 2019 has incorporated learning from previous policy period and has been developed in line with national best practice, benchmarking with other councils and in conjunction with all relevant services and the cabinet members for Environment and Business Services.

The policy proposes the scope and target for measurable carbon emissions reduction which will deliver associated cost savings compared to 'business as usual.' Guiding principles for determining the council's actions to achieve the policy's objectives have been developed and a core group including Property, Environment, Highways and Finance Services has identified and appraised opportunities and risks in relation to these principles. Project options have been identified across the corporate estate, street lighting, schools, fleet vehicles and business travel. Scale of investment and return has been considered for the most significant opportunities identified to date.

This policy sets SCC ambition over the following four year period and is proposed against a backdrop of challenging current and future financial constraints. Therefore, as noted in Annex A policy detail, each project element will be individually assessed via business case and scrutinised for benefits overall before commitment to fund is agreed.

For illustrative purposes a simple financial appraisal and carbon reduction schedule for possible energy conservation projects for the corporate estate is included at **Annex B.** This shows that investment of £3.2M could generate carbon savings in line with the 10% target and yield a positive financial return with a simple payback of around 8 years. Analysis for schools included at **Annex C** suggests investment of £9.6M would yield a similar level of carbon reduction with a simple payback of around 8 years. The scale of investment and savings for the corporate estate is consistent with the council's MTFP. For schools; low cost borrowing arrangements such as Salix are recommended as the primary funding source. In addition, county funded maintenance projects may also contribute carbon reduction benefits on the schools' estate.

Other areas currently under consideration for potential financial return, include a large scale solar PV array at Trumps Farm, streetlighting LEDs on one fifth of the network and procurement of electric vehicles within the council's fleet. Such projects would require scrutiny and approval from Investment Panel and Cabinet. If any of the current range of schemes under consideration are determined to be uneconomic, then other opportunities will be sought to contribute towards achievement of the 10% target emissions reduction. Schemes will not be pursued for the sake of the target alone, unless they provide a positive return to the interests of the council.

Energy and emissions reduction opportunities have also been considered in the context of major energy demand pressures. For example full utilisation of the Primary IT data centre and expanding schools to provide essential additional places could both increase carbon emissions compared to the baseline year. Energy and carbon savings may therefore be achieved in some areas but offset by growth due to pressures elsewhere. A methodology for verifying and reporting on savings will be developed.

The scale of capital investment and officer resource allocation is in proportion to the scale of the value at stake. Furthermore, delivery of the policy will be within existing officer resources, primarily within Environmental and Infrastructure, Property, Finance and Procurement and involves a cross-cutting approach to decision making.

Recommendations

That the Council Overview & Scrutiny Committee:

a) Considers the emerging Carbon and Energy Policy (**Appendix A**), making recommendations where appropriate, in particular with reference to Governance arrangements, ahead of Cabinet consideration of the policy.

b) Endorses the policy and monitors progress towards the targets on an annual basis, in line with statutory reporting timescales.

Next steps

- The policy will be considered for approval at Cabinet on 24th March 2015 and implemented, if approved, from 1st April 2015.

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Sources/background papers:

- *SCC Carbon and Energy Policy 2010 to 2014*
- *SCC Greenhouse Gas Emissions Report* 13/14 to DECC 2013/14 and previous.
- *"Annual Energy Report for County Council Buildings in 2012/13 and LASER energy procurement contract",* report to Overview and Scrutiny Performance and Finance subgroup, 30th September 2013
- *Review of Energy Management 2013/14,* Internal Audit Report, August 2013

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