

BROMSGROVE DISTRICT COUNCIL

COUNCIL

17th November 2010

REPORT TITLE: ENERGY EFFICIENCY MEASURES - INTEREST FREE LOANS

Relevant Portfolio Holder	Councillor Peter Whittaker
Relevant Head of Service	Hugh Bennett
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1. This report seeks to advise the Council of an urgent decision that has been taken under the Urgent Decision Procedures to apply for an interest free loan to install energy efficiency measures to help to meet the Council's CO₂ emissions reduction target. The application has been successful.

2. RECOMMENDATIONS

2.1 Officers RECOMMEND that the Council note the urgent decision taken:

- 1) authority be delegated to the Director of Policy, Performance and Partnerships to apply for an interest free loan from Salix in the sum of £37'200 to fund energy efficiency measures within Council buildings, in the terms detailed in the report; and
- 2) if the loan is granted by Salix, the Council set aside a budget for repayment of the loan, based on savings made on energy bills as a result of the installation of energy efficiency measures.

3. BACKGROUND

- 3.1 The Council has no direct budget allocation for energy efficiency projects. An existing fund operated by Salix on behalf of the Carbon Trust had closed, but due to under spend was re-opened briefly on a first come, first serve basis. The inference was that bids needed to be submitted almost immediately, hence the need for Urgent Decision Procedures.

4. KEY ISSUES

- 4.1 The Council has a NI target to reduce its carbon emissions by 2% year on year, and has signed up to the 10:10 campaign which is a commitment to aim for a 10% reduction in emissions, to meet its objectives and to contribute to the national climate change agenda. One of the main ways in which the Council can achieve these objectives is by improving the energy

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efficiency of its estate. In this context, 'estate' means the Council's buildings, operations and services.

- 4.2 The data which the Council has collected as part of its baseline figure for National Indicator 185 (estimated) shows that of the 2515 tonnes for BDC of CO₂ emissions in 2009/10, 65% were from the Council's buildings. The Council's buildings therefore make a significant contribution to the Council's overall carbon emissions.
- 4.3 Salix is a not for profit social enterprise company which has funding from the Carbon Trust. Salix is using some of this funding to make interest free loans to local authorities to enable them to install energy efficiency measures. Funding is provided for proven technologies which are cost effective in saving CO₂. Salix projects bid for include sensor lighting and heating upgrades, voltage reduction, downsizing water tanks and insulating pipes boilers, powerdown plugs for all BDC computers and timer switches for water coolers which are currently running 24/7.
- 4.4 The minimum amount of loan is £500 but there is no upper limit. Any project funded by the loan has to be completed within 4 months of the application being approved.
- 4.5 The Salix website includes a compliance toolkit so that local authorities can ensure that their proposed projects are eligible for funding. Your Officers have identified a number of projects which could benefit from the interest free loan being offered by Salix and these are set out in Appendix 1 to this report.
- 4.6 The toolkit also enables local authorities to calculate their savings in financial terms and in terms of CO₂ emissions In summary, the projects listed, if implemented, could lead to the following :
 - Savings would be around £11'306 per annum. In the first instance, these savings would be required to repay the loan but thereafter any savings would be retained by the Council for other climate change activity.
 - A reduction in CO₂ emissions of 96.90 tonnes per annum, which would equate to almost 3% of BDC's baseline corporate carbon footprint.
- 5.7 The deadline for applying for the loan is when the money is all allocated i.e. first come, first served. Salix have suggested that applications would ideally be submitted within weeks.

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5. FINANCIAL IMPLICATIONS

- 5.1 There is currently no allocated budget for the installation of energy efficiency measures, or for climate change activity in general.
- 5.2 Salix (part of the Carbon Trust) have reopened calls for funding due to an under-spend on the previous round, and are offering interest free loans to local authorities to enable them to carry out energy efficiency projects. The loans are repayable from March 2011 in 8 equal instalments over 4 years. The expectation is that savings from energy efficiencies will be set aside in order to repay the loan, following which the Council will be able to keep any savings generated after the loan has been repaid.
- 5.3. The report accompanying the climate change strategy (due at Cabinet 1.12.10) recommends that ongoing savings be re-invested in further climate change activity.
- 5.4. The total amount of the loan approved amounts to £37'200. Details of the specific projects which would be carried out are set out in Appendix 1.

6. LEGAL IMPLICATIONS

- 6.1 The Climate Change Act 2008 places the Secretary of State under a duty to ensure that the net UK carbon account for the year 2050 is at least 80% lower than the 1990 baseline. The Low Carbon Transition Plan 2009 sets out the Government's Plan for meeting the Climate Change Act target and demonstrates how the UK will deliver emission cuts of 18% on 2008 levels by 2020 (and over a one third reduction on 1990 levels).
- 6.2 In cases of urgency involving expenditure outside the budget and policy framework decisions must be taken in accordance with paragraph 5 (a) of Part Six of the Bromsgrove District Council Constitution – Budget and Policy Framework Rules.
- 6.3 Such decisions must also comply with the requirements of the Scheme of Delegation as to urgent decisions where formal reporting to Cabinet or Council is not possible due to urgency.
- 6.4 For Members information, in accordance with the constitutional requirements referred to above, the following persons were consulted and gave approval to the urgent decisions:-
 - Deputy Chief Executive (in absence of Chief Executive)

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- The Leader of the Council
- The Section 151 Officer
- The Monitoring Officer
- The Chairman of the Scrutiny Board

7. POLICY IMPLICATIONS

- 7.1 The Councils are in the process of adopting a Joint Climate Change Strategy which states that the Council needs to reduce energy consumption in our buildings.
- 7.2. National Indicator 185 measures the carbon emissions resulting from running the Council's operations and services and the Council's performance against this target will be monitored.

8. COUNCIL OBJECTIVES

- 8.1 This is fully in line with the objective of tackling climate change.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

- 9.1. Although the Council was successful in its application for funding from SALIX, there may still be budget bids placed for other works, where identified, and Officers may still be asking to borrow a sum of money to enable savings to be made, on a 'Spend to Save' basis.
- 9.2. If Salix funding is granted, there is a risk that insufficient savings will be made in the period between the making of the loan and the repayment dates in which case the Council would need to repay the loan from existing resources. The expectation is, however, that savings will generate sufficient funds to repay the loan over the lifetime of the loan. The calculations are based on existing cost per kWh of just under 9pence per kWh of electricity. If the cost paid for electricity goes up, then the loans will payback faster than the predicted average of 3.62 years.
- 9.3 These risks are being managed as follows:
- Ongoing detailed monitoring of consumption is possible at Bromsgrove Depot, where the majority of the investment is to be made.
 - Close working with Financial Services to ensure savings are set aside for repayment.

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Currently the risk identified in 9.2. is not addressed by any risk register and will be added to the Financial Service risk register.

10. CUSTOMER IMPLICATIONS

10.1 None

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 Energy efficiency measures are a significant element of management of the Council's assets and will help to improve the sustainability of the Council's assets and protect the Council from potential future rises in the cost of energy.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 The installation of more energy efficient systems can make a significant contribution to the Council's reduction in its energy use and therefore to its carbon emissions. The loan will enable the Councils to make quicker progress in installing energy efficiency measures than would otherwise be possible and will enable a faster reduction in carbon emissions.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 None

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None

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18. LESSONS LEARNT

18.1 A similar project is underway at Redditch Borough Council and savings are being delivered as expected, therefore confidence that this scheme will work to its full potential are high.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	Yes
Head of Service	Yes
Head of Resources	No
Head of Legal, Equalities & Democratic Services	Yes
Corporate Procurement Team	No

21. WARDS AFFECTED

All wards

22. APPENDICES

Appendix 1 Projects funded

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APPENDIX 1

<u>Site</u>	<u>Scheme</u>	<u>Cost £</u>	<u>Payback (years)</u>	<u>Annual ongoing saving £</u>
BDC Depot	Garage/Workshop – change from sodium to compact fluorescent lighting	8000	4.73	1691
BDC Depot	Stores area – install discrete controls as currently one switch powers on all lights	1400	4.78	293
BDC Depot	Sensor lighting in Office, canteen, toilets	4500	4.21	1068
BDC Depot	Reduce hot water tank size and insulate pipes	2600	4.94	526
BDC Depot	Connect heating appliances to new RBC BEMS system, allows control and monitoring	6000	4.11	1461
BDC Depot	Voltage Optimisation Software	6500	4.06	1602
BDC Depot	Heating Control System in Workshop only (near roller doors)	5625	1.62	3487
BDC	Powerdown plugs	1750	1.87	935
RBC and BDC Main Offices	Timer switches for water coolers	315	4.96	129
RBC and BDC	Savaplug for individual fridges	510	4.25	364