



London Borough of Hammersmith & Fulham

Cabinet

26 APRIL 2010

**DEPUTY LEADER
(+ENVIRONMENT)**
*Councillor Nicholas
Botterill*

**HAMMERSMITH & FULHAM CARBON
MANAGEMENT PLAN (REVISED)**

**Wards:
All**

The report outlines the key elements of the Council's Carbon Management Plan and seeks Cabinet approval for the Plan

CONTRIBUTORS

DENV
DFSC
ADLDS

HAS A PEIA BEEN COMPLETED? YES

Recommendations:

1. That approval is given to the Council's Carbon Management Plan attached as the appendix to the report.
2. That approval is given to the establishment of a ring-fenced Carbon Management Fund on the basis that there is a successful application to Salix Finance for match funding and where there is a business case.
3. That Cabinet receives an annual carbon management report detailing progress against the carbon reduction target.

1. BACKGROUND

- 1.1 In 2008/, the Council spent over £5 million on energy for its buildings and services and these costs are predicted to increase. Local authorities are also coming under increasing government pressure to reduce their carbon emissions in order to meet national reduction targets. The Climate Change Act 2008 commits the government to reduce carbon emissions by 80% by 2050, from 1990 levels. The Government aims to achieve this through a number of initiatives. The one that will most affect local authorities is the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES).
- 1.2 The CRC EES is a compulsory emissions trading scheme set up to drive energy efficiency in both the private and public sectors, including local authorities. Organisations such as H&F will have to pay for carbon allowances in addition to paying for their energy. The key features of the scheme are:
- Carbon allowances will have to be purchased from April 2011. The Council will be responsible for purchasing carbon allowances for all its buildings including state funded local schools and street lighting.
 - For the first 2 years, allowances will be sold at a fixed price of probably £12 t/CO₂. From April 2013, carbon allowances will be capped and auctioned and there will be a limit on the number of allowances that an organisation can purchase and it is anticipated that costs will rise;
 - CRC EES will be revenue neutral to the Treasury and funding will be returned to organisations based on their performance in relation to carbon savings;
 - For H&F, the initial annual cost of purchasing allowances is likely to be approximately £350,000. If the Council performs poorly in relation to other private and public sector organisations, then in the first year we could receive a recycling payment of £315,000 but by 2014/15 we might receive a recycled payment of only £175,000; whereas if we performed very well we would receive £525,000. The net difference between a high performance and a low performance could be about £1 million after three years.
- 1.3 To assist the Council in reducing its carbon emissions, it was agreed in December 2008 that we would apply to join the Carbon Trust's Local Authority Carbon Management Programme. The Programme started in May 2009 and a Carbon Management Plan has been prepared (Appendix).

2. H&F CARBON MANAGEMENT PLAN

- 2.1 The Climate Change Project Management Board chaired by the Director of Environment has managed the preparation of the Carbon Management Plan. A carbon management team with representatives from across the Council assessed the opportunities for reducing carbon emissions and energy use in their areas of responsibility.
- 2.2 In 2008/9 the Council spent an estimated £4.15 million on energy in Council buildings, schools and street lighting and £1.11 million on the energy for transport related services. As energy costs are predicted to rise by an average of 5% pa over the 7 years from 2009 to 2016 it is estimated that these energy costs could rise to over £8.3 million pa if we take no action to reduce our energy use. The energy data collected for 2008/9 and information from the Display Energy Certificates (DECs) for 52 of the Council's larger buildings showed that most buildings have below average energy performance.
- 2.3 At the start of the carbon management programme the Project Management Board agreed to set a challenging carbon reduction target of 40% reduction in CO₂ emissions between 2009 and 2014. In setting this target the effect on energy use of the programme of building closures and the construction of new civic accommodation was taken into account. Due to the possible delay in completing the new civic accommodation, the time period for meeting the 40% carbon reduction target was extended to 2016.
- 2.4 In preparing the Carbon Management Plan, it was decided in the early phases of the plan to concentrate action on those services and buildings that would directly benefit Council budgets. Therefore we have not involved contractors of outsourced services, such as waste collection, highways maintenance and leisure centres where energy costs are the responsibility of the contractor.
- 2.5 The Carbon Management Plan groups energy saving projects (Appendix 1 Section 4) into:
- **Existing projects - 11% carbon saving:** These are projects that are currently programmed. Some of these projects started in 2008/9 but the carbon savings will be realised in 2009/10. Other projects such as building closures and street lighting projects will be implemented over several years and will not be completed until 2013 or later. This has been taken into account in assessing the carbon reduction and financial savings. It is estimated that these projects will reduce our CO₂ emissions by nearly 11%.
 - **Planned/funded projects - 17% carbon saving:** These are projects that have been identified and funding allocated but will not commence until 2010/11 or later. These projects will save a

further 16% of our carbon emissions. Much of this energy reduction will be from the proposed closure and rationalisation of Council buildings, including the replacement of Hammersmith Town Hall Extension with a new civic building. Although it is estimated that the Building Schools for the Future Programme will improve the energy efficiency of our secondary schools by almost 7%, it is recognised that the greater use of these schools and their facilities by the wider community may result in an absolute increase in energy use, but this will be balanced by better services to the community and/or a more efficient use of the remainder of the Council's building stock.

- Near term projects - 5% carbon saving:** These projects have mainly been identified through the carbon management programme and include a pilot project in four primary schools. Although the carbon savings of the proposed primary school projects are relatively small in relation to the Council's total CO₂ emissions, the reduction in carbon emissions for individual schools are significant, ranging from 21% to 40% pa. Also if the initial programme is successful energy reduction projects will be extended to more schools and could save an estimated 4% of Council emissions.

2.6 The total costs and savings of these projects are summarised in the following table

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Annual cost saving	£0	£534,145	£685,032	£727,427	£727,427	£1,209,561	£1,617,457
Annual tCO₂ saving	113	2,506	3,307	4,047	4,122	5,879	7,935
% of baseline CO₂ saving	0.4	10.2	13.5	16.5	16.8	24.1	32.4

2.7 In addition to the projects listed above, other projects will come forward and be developed as part of the implementation of the Carbon Management Plan. EC Harris has been commissioned to carry out surveys of 50 Council buildings, including additional primary schools to identify potential energy saving projects. It is not possible to assess their feasibility or quantify the carbon savings at this stage but all or some of these medium to long term projects will contribute to meeting our carbon reduction target and can potentially be funded through the Corporate Planned Maintenance Programme and the Primary Capital Programme.

- 2.8 These longer term projects could include improvements to Hammersmith Town Hall, particularly window improvements. The feasibility/viability of improvements will be assessed as part of the Carbon Management Plan.

3. RESOURCES

- 3.1 It is estimated that most of the investments identified in the Carbon Management Plan for the period 2009 – 2016 will be recouped on average in around 5 years from savings in reduced energy consumption. This will enable savings to be re-invested into more schemes for a continued reduction of carbon emissions. In better managing its carbon emissions, the Council will mitigate some of the anticipated increases in energy costs.. Although some projects can be funded from existing budgets, such as the Corporate Planned Maintenance budget and schools projects from the Primary Capital Programme, there will still be a need for additional sources of funding.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
Annual costs:	£1,114,032	£219,880	£666,604	£807,532	£126,666	£0	£0	£0	£2,934,714
Committed funding:	£1,114,032	£219,880	£618,604	£731,666	£126,666	£0	£0	£0	£2,810,848
Projects without funding	£0	£0	£48,000	£75,866	£0	£0	£0	£0	£123,866

- 3.2 The table above indicates that there is approximately £124k of projects without funding. Additional medium to longer term projects will be identified and funding will need to be identified if the carbon reduction target is to be achieved
- 3.3 Salix Finance, a Government funded scheme, can make interest free loans or a capital contribution to a ring-fenced fund to finance carbon reduction schemes with payback periods of less than 5-7 years. Consideration is being given to applying for the ring fenced fund. Any successful application would be used to reduce the Council's contribution on the basis that future benefits would be used to fund other energy saving projects.

4. RISK MANAGEMENT

- 4.1. The Carbon Management Plan is not included on a corporate or departmental risk register. However there are financial risks for the Council of not reducing carbon emissions, both from increasing energy costs and poor performance and financial costs of poor performance in

relation to the Carbon Reduction Commitment Energy Efficiency Scheme.

5. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

- 5.1. The report sets out the scope of the Council's Carbon Management Plan and indicates the financial implications of the Government's Carbon Reduction Commitment Energy Efficiency Scheme. The report also summarises the notional cost saving from a number of projects that the Council could commission to reduce its energy consumption, subject to available funding.
- 5.2. The financial arrangements around the Government's Carbon Reduction Commitment Energy Efficiency Scheme are still evolving but the principles around the need for local authorities to procure and then trade carbon allowances is well established and is intended to apply from 2011-12. The current expectation is that the procurement of sufficient allowances will cost the Council £350,000. Whilst the authority will receive a recycling payment relative to its performance it is not possible to accurately predict the impact of this. Currently it is suggested that the Council could receive a payment of £315,000 i.e. a net cost of £35,000. This will vary over time and the Council's liability will reflect its relative position with regard to the reduction of carbon emissions. Further work on this will continue and will be reported to members through the Environment Department's MTFS submission.
- 5.3. In terms of progressing current initiatives, funding has been identified from the Corporate Planned Maintenance Programme, Primary Capital Plan and the Streetlighting Replacement Programme and consideration is being given to submitting applications to Salix, Section 5 of the Carbon management Plan will then be refined to reflect the actual funding of the programme.
- 5.4. The Government has provided conditional grant to match fund local authority expenditure on energy efficiency schemes. The conditions of the grant mean that it is not suitable for use to finance school initiatives as it requires the estimated savings from energy initiatives to be used to fund other internal project which will need to be administered
- 5.5. Should the Council be successful in its application for Salix funding then eligible future schemes can be funded from the recycled savings of the original schemes. Otherwise all such schemes will be required to apply for funding from Council resources subject to the successful presentation of a supporting business case.

6. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 6.1. Legal and Democratic Services have read the report and are satisfied with its content.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Carbon Management Plan	Pat Cox/5773	EnvD/HTH Ext
2.	Carbon Management Project Board Papers	Pat Cox/5773	EnvD/HTH Ext
CONTACT OFFICER:		NAME: Pat Cox EXT. 5773	

