

London Borough of Sutton

The Executive 26 March 2012

Report of the Executive Head of Property & Procurement

CARBON MANAGEMENT PLAN FOR COUNCIL OPERATIONS

Ward Location:	Not Applicable	Author(s) and Contact Phone Number(s):
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Area Served:	Borough Wide	Executive Councillors: Colin Hall and John Drage

For Decision

Summary

This report presents a Carbon Management Plan to guide the Council's efforts to reduce carbon emissions from its own activities. The plan was developed with input and assistance from the Carbon Trust and consequently draws on their practical knowledge and expertise. The plan sets a target for reducing the Council's emission of carbon dioxide by 40% over the next 5 years and identifies the contribution that the projects and initiatives set out in the plan could make in meeting the target.

The projects include some that are existing projects which are already underway and funded from current revenue and capital budgets and also identify some potential future projects which if carried out, could significantly reduce the Council's carbon emissions. Such projects are separated out in the plan and would be subject the council's normal approval processes that tests for policy and business viability before inclusion in the Council's formal Delivery Plans.

The plan concludes that if implemented in full, the council stands to reduce carbon emissions by 5,565 tonnes per year and make financial savings and cost avoidance of up to £5.8m over the 6-year life of the plan with the capital or revenue invested in the projects being paid off over an average of 7.3 years.

Recommendations

It is recommended that the Executive:

1. Agree that the plan be adopted by the Council subject to projects identified in the plan as potential future projects being tested for policy and business viability and reported back to Members for approval

1. Background

- 1.1 Zero Carbon Buildings is one of the 10 themes of the Council's 'One Planet Sutton' Action Plan, with a target set in 2010 that all Council properties would be net zero carbon by 2017. In October 2010 a Zero Carbon Steering Group was set up to coordinate the Council's actions in identifying and implementing carbon reduction measures that takes it towards the net zero carbon target

- 1.2 In February 2011 the Council was offered free support and advice by the Carbon Trust to develop a Carbon Management Plan (CMP). This provided an ideal opportunity to tap into the accumulated knowledge and expertise available in the public sector in identifying and quantifying carbon and financial savings using tried and tested methodology developed by the Carbon Trust. A partnership agreement with the Carbon Trust was signed in May 2011 and the Zero Carbon Steering Group has since been developing the Carbon Management Plan.
- 1.3 The Carbon Trust methodology is a 5-step process for developing and implementing Carbon Management Plans.
- Mobilise – *building the team and setting the scope*
 - Baseline and Forecast – *measuring baseline & goals*
 - Identify & Quantify – *identifying the risks and prioritising actions*
 - Approve Plan – *designing a cost-effective strategy*
 - Implement the Plan – *embedding carbon reduction into daily business*
- 1.4 This has been followed as best as possible in developing the attached draft CMP, but suitably amended to suit Sutton's own situation of coming into the programme with a clearly articulated vision for carbon reduction: the Council's ambitions for carbon reduction having already been set in its One Planet Sutton Plan along with operational and governance arrangements.

2. Issues

Baseline and overall Carbon reduction target

- 2.1 The first action for the plan was to determine the Council's carbon emissions for 2010/11 as this will be the baseline for monitoring progress. Using data collected for the Greenhouse Gas 2010 and Carbon Reduction Commitment (CRC) footprint reports, it was determined that the Council's 2010/11 baseline CMP carbon emissions was 13,415 tonnes CO₂. This represents emissions from the Council's activities from its buildings, transport fleet, highway assets and business travel. Emissions from schools and housing are excluded as there is a parallel Carbon Trust process for managing emissions from schools. Emissions from council housing are counted with all other residential emissions as similar interventions would be required for their reduction.
- 2.2 Each participating organisation is required to set an emissions reduction target it hopes to achieve over a 5-year period and identify the projects, with their associated financial and carbon reduction savings, that demonstrates how the target will be achieved.
- 2.3 A 40% reduction in overall Council emissions compared with the 2010/11 baseline is proposed for the carbon management plan. The 40% target is based on the analysis set out below in Table 1 which shows anticipated reductions from each affected Council service. In establishing this target, the analysis carried out on Council buildings indicate that getting emissions levels down to best practice levels for each of our buildings would result in an overall carbon emissions reduction of 50% from buildings. When combined with a 25% reduction target for all other emissions sources, this approach gives a 40% overall reduction in Council emissions over the next 5 years and equates to a reduction in emissions of 5,365 tonnes of CO₂ by 2017.

Table 1 - Sources of Sutton's Carbon Emissions

	tCO ₂ 2010	% of Council's total emissions	%Reduction proposed (emissions source)	% Reduction (total emissions)
Buildings	8,423	61%	50%	30.50%
Street lighting	3,376	25%	25%	6.25%
Transport (Fleet & business)	1,572	12%	25%	3.00%
Water	44	0.3%	25%	0.01%
Totals	13,415	100%	N/A	40%

Carbon Reduction Projects

- 2.6 The plan groups carbon reduction projects under four headings: Existing projects; Planned/Funded projects; Planned projects requiring funding; and Potential future projects.
- 2.7 Projects that are already underway are expected lead to annual CO₂ reductions of 1,418 tonnes and annual financial savings of £201k. The projects described as Planned/Funded are those projects that have been identified for funding in the annual rolling capital budgets for replacement of life-expired building and highways assets or those that have been identified in service plans or Smarter Services Sutton reviews. These are expected generate a CO₂ reduction of 346 tonnes and annual savings of £106k.
- 2.8 Projects under the remaining two categories are unfunded and are included for the potential they have to reduce carbon emissions and deliver financial savings. Some of the projects are dependent on progress with other council initiatives, e.g. the connection of Westcroft Leisure Centre to a decentralised heat network depends on progress made with the Hackbridge Heat Network. It is therefore expected that most of the projects classified as potential future projects would require viable business cases to be developed and presented for consideration by the Executive.
- 2.9 If all the projects included in the plan are implemented, it would leave the Council still short by about 196 tonnes of the overall reduction target of 5,365 tonnes. This is within the tolerance allowed by the Carbon Trust for validating carbon management plans. It is reasonable to expect that over the next 5 years, there would be other opportunities for carbon reduction measures through the ongoing global research and investment in environmentally sustainable products and processes that should enable the overall emissions target to be met.

Change Management Action Plan

- 2.10 In addition to physical measures, the Carbon Trust methodology also requires the implementation of organisation change projects that have the effect of turning carbon reduction into mainstream activity throughout the Council. Organisation change measures included in the plan therefore include proposals such as:
- Setting carbon budgets at group level with annual accounting and inclusion in statement of accounts
 - Inclusion of carbon reductions/savings in the criteria used for determining capital programme priorities
 - Developing and delivering training on carbon reduction measures for officers involved with procurement of supplies and services
 - Setting carbon reduction targets for suppliers who discharge Council functions
 - Regular council-wide carbon reduction initiatives involving all staff – using templates provided by the Low Carbon Workplace

Prioritisation of Projects identified in the CMP & Associated Funding

- 2.11 There are a number of potential future projects in the plan involving physical measures that would result in significant reduction in energy use but are not priorities in the Council's capital programme. These include projects that require significant investment on buildings and on highway assets. Ability to proceed with these projects will depend on the preparation of viable business cases that assess all key operational issues and risks, and identify how the projects could be funded.
- 2.12 It is estimated that the work to improve the energy efficiency of highway assets could cost up to £2.2m and generate annual reduction in CO₂ emissions of about 870 tonnes. The work to buildings anticipates that a review of the use of the Council's operational and office buildings could lead to fewer buildings being used and investment in upgrading retained offices over the 5-year life of the plan. These projects have been put towards the end of the 5-year life of the plan to give sufficient time for all necessary assessments, including community engagement that would be required to inform any decision to proceed.
- 2.13 There are an increasing number of potential external funding sources available for energy saving projects. There are a number of private sector-led programmes in which companies provide upfront capital investment in buildings or highway assets in exchange for the financial savings achieved through the measures. A public sector-led version is the RE:FIT programme that is sponsored by the Mayor of London and which applies to building works. This is currently being procured by the Council and a preferred contractor for Sutton should be identified by April 2012. The contractor will review the Council's buildings and if there is an investment grade opportunity, will offer guaranteed savings for a package of works. It is anticipated that this may fund up to £1.5m of project work.
- 2.14 The government has also recently announced another round of Salix Funding, which provides grant funding for operating in-house loans fund for projects with payback periods of less than 5 years. The Council has successfully operated a Salix-funded Loans Fund since 2004 and would be applying for the current round. There are also other funding sources like the London Waste & Recycling Board Energy Funds that could be approached to fund some of the projects.

Governance Issues

- 2.15 Governance arrangements are currently being reviewed in line with the creation of the new Programme Boards. It is proposed that the Carbon Management Plan should have its own programme board with direct reporting to the One Planet Sutton Board under the Zero Carbon theme.

Business case for Carbon Reduction Measures

- 2.16 Approval of the CMP will commit the Council to invest human and financial resources in its implementation and preparation of business cases for the future potential projects as outlined. There is however a strong business case for committing to a carbon reduction plan. This can be summarised as:
- Fully consistent with the Council's ambition and vision for Sutton to become a sustainable borough as captured in its One Planet Sutton plan;
 - It provides an auditable and nationally accredited basis for monitoring progress towards Zero Carbon and the wider One Planet Sutton ambitions; and
 - There is a compelling financial case for it. The Council stands to save or avoid costs of about £5.8m over the 5 year life of the plan if it meets the carbon reduction target; the financial benefits should increase with time if energy prices and Carbon Reduction Commitment (CRC) costs continue to rise, as predicted, over time.

3. Financial Implications

- 3.1 The Carbon Management Plan currently identifies estimated annual gross savings of £778k by 2017 if all the measures are implemented. The savings will be from the revenue budget. It must be noted that the estimated amount of savings includes projects that have yet to be agreed and/ or have yet to be funded.

Estimated Gross Savings	£000s
Existing projects	201
Planned/ funded projects	106
Planned projects requiring funding	126
Potential future projects	535
Estimate to 2017	969

- 3.2 The total cost of the projects (both existing and potential) is estimated to be £7.3m. Adoption of this plan provides an indicative base of projects that would need to come forward, but at a later stage, for Member approval in the usual way.
- 3.3 Some projects that require funding may qualify through the invest to save route without the need to find additional capital resources.

4. Influence of the Council's Core Values

- 4.1 This project will help us to deliver a cleaner, greener borough. The report includes proposals to ensure that projects undertaken to reduce carbon emissions contribute to better efficiency.

5. Equality Impact Assessment

- 5.1 The Council's adoption of this Carbon Management Plan will not have a negative or positive impact on any specific group(s) in Sutton. The ongoing approaches to

secure reductions in the Council's energy consumption will benefit all of Sutton's residents.

6. Background Papers

Carbon Management Plan attached

29 February 2012