

# CABINET

## Renewable Energy Strategy 24<sup>th</sup> June 2014

### Report of Chief Officer (Environment)

PURPOSE OF REPORT			
To provide an update on the Renewable Energy Strategy, and to seek input into the development of key areas of the strategy			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	22 <sup>nd</sup> May 2014		
This report is public			

#### OFFICER RECOMMENDATIONS

- (1) That Cabinet agrees in principle the Renewable Energy Strategy's overall aim and targets;
- (2) That Cabinet agrees in principle the Renewable Energy Strategy's Action Plan;
- (3) That Cabinet confirms its preferences (ranked in priority order) for renewable energy project(s) for inclusion in the Renewable Energy Strategy to enable further investigations to determine the project(s) feasibility, with the costs of such investigations being met from reserves, as set out in the report.
- (4) That Cabinet confirms where delivery of the Renewable Energy Strategy ranks in relation to other priorities and where in terms of timescales it fits so that officers can develop firm proposals for consideration as part of the Council's policy / budget plans.
- (5) That based on the above the draft Renewable Energy Strategy is completed and reported back to Cabinet for final approval.

#### 1.0 Introduction

- 1.1 On 4<sup>th</sup> December 2012 Cabinet considered a report to establish a preferred approach to further delivering the outcomes of the Corporate Plan that relate to energy. At the meeting Cabinet resolved to "*seek to develop a Council energy strategy, subject to consideration as part of the budget*".
- 1.2 The Corporate Plan 2014-16, to be recommended to Council in July, makes it clear that within the overall ethos of the Council is the need to ensure that the

Council contributes positively to the challenge of climate change and the need to manage our environment. It also includes the outcome ‘the Council’s impact on the environment will be minimised’.

- 1.3 Key to achieving this is the development and delivery of a Renewable Energy Strategy (RES). This report provides an update on the development of the RES and seeks Cabinet’s preferred direction in a number of key areas that will determine the extent of delivery of the RES

## **2.0 Development of the RES to date**

- 2.1 The development of the RES to date has seen the identification of the following priority areas where it is felt that the council’s efforts are needed to ensure the greatest benefits:

- *Energy reduction and efficiency* – Actions required to improve general energy efficiency across the council’s operations and any technological improvements which may be available to assist that aim;
- *The council’s buildings* – Opportunities within both municipal buildings and council housing properties where energy improvements may be achieved;
- *Private sector properties* – Opportunities where Lancaster City Council can help improve the energy efficiency of private homes in the district;
- *Transport* – Opportunities for reducing the cost and also carbon emissions of transport required to deliver the full range of Council services
- *Large-scale renewables* – Opportunities for engaging in commercial-scale renewable energy projects, which will generate income and reduce energy costs.

- 2.2 Discussions have taken place across all Services within the council to identify how to address these priority areas. However, Cabinet’s input is required to help inform key aspects of the RES namely: aims and targets, the Action Plan, renewable energy projects, and resources.

- 2.3 For the RES to have any real purpose it is essential that what it sets out to deliver–

- Has political ownership.
- Has aims and targets that can be realistically delivered.
- Has appropriate resources attached to it.
- Has a clear business case for the individual elements of it.
- Is clearly linked with the Corporate Plan and the Medium Term Financial Strategy

- 2.4 In order to achieve this it is first of all necessary for Cabinet to define the extent of their ambition for the RES. In order to achieve this Cabinet’s direction in the following areas is requested:

### *a) Aims and Targets*

- 2.5 To ensure that officers are clear of the intended ambition for the RES, it is necessary that Cabinet confirm the required objectives in terms of the overall aim and the targets that it wants to achieve through the RES’s delivery.

- 2.6 At this stage, Officers have proposed the following principal aim:

- “The Council’s impact on the environment will be minimised by reducing energy consumption and using renewable energy generation technologies”

- 2.7 Officers have also identified the following headline target areas:
- To reduce energy consumption by 20% by 2020 against a baseline year of 2012/13
  - To reduce the council's carbon dioxide emissions by 20% by 2020 against a baseline year of 2012/13
  - xx% of the councils energy needs will be generated from renewable sources by 2020
  - xx% of the council's mileage will be covered by electric vehicles or Ultra-Low Emissions Vehicles by 2020 against a baseline year of 2012/13.
  - New build Council social housing will be as energy efficient as possible aiming for carbon neutrality
- 2.8 The extent to which targets for the xx% can be set will be determined by the priority Cabinet places on the RES.
- 2.9 **Action 1:** Cabinet is asked to agree in principle the headline aims and targets of the strategy. Those not yet proposed will be brought back for Cabinet to agree at a later stage.

b) *Action Plan*

- 2.10 To tackle the priority areas discussed above, the RES will contain an *Action Plan* of required tasks which will range from ensuring a greater understanding of the council's position, through to implementing direct action. The RES will be a working document so as actions are undertaken and new processes established, the Council will be able to ensure that the identification and implementation of energy saving projects becomes an integral part of the council's operations.
- 2.11 At this stage the contents of the *Action Plan* will remain high level with a view to developing more detailed plans as appropriate to aid delivery.
- 2.12 **Action 2:** Appendix 1 contains a draft *Action Plan* which is in line with the aforementioned priority areas. At this stage Cabinet is asked to approve the *Action Plan* in principle and identify any additions or amendments as appropriate. Delivery of the action plan will obviously be subject to establishment of business case and further Cabinet reports where required.

c) *Renewable energy projects*

- 2.13 Whilst significant successes in reducing the council's energy consumption have been achieved through recent actions, it is important to recognise that as the number of opportunities for improved efficiencies declines, a greater focus on the development of renewable energy generation will be required to maximise the potential gains for the council.
- 2.14 The council's successful installation of solar PV at a number of its properties has demonstrated the successes that can be achieved. However, the RES provides an opportunity to take the next step in using renewable energy technologies as a means of generating income, reducing the Council's reliance on non-renewable energy and reducing energy bills.
- 2.15 There are a number of potential projects which Lancaster City Council could realistically seek to undertake and these include the following:
- *Installing biomass boilers* – The replacement of existing boilers in the larger council properties, e.g. Salt Ayre Sports Centre, with biomass

boilers would provide environmentally sustainable heating in addition to generating significant income through the Renewable Heat Incentive scheme.

- *Develop a biomass supply chain* – The development of a biomass supply chain in conjunction with appropriate partners could be used by the council, external organisations, and individuals alike, and would help to secure supply and control costs.
- *Develop a solar farm* – A commercial scale ground-based solar installation positioned on appropriate council land would provide significant amounts of the council's total energy requirements in addition to generating income through the Feed-in Tariff scheme.
- *Partnership project* – Work with a partner authority to deliver a renewable energy project with both authorities sharing the financial investment and returns.
- *Undertake a wind turbine project*- Technically this would be the most challenging and would require the greatest investment. However, Cabinet may feel that this represents the best way forward.

2.16 The identification and prioritisation of preferred renewable energy projects would enable officers to include appropriate action points in the *RES* which would seek to develop robust business plans that illustrate clearly what the proposed costs and expenses are in pursuing a particular project, as against the proposed income generation, to show the payback time on a 'whole life cost' basis. Cabinet should note, however, that it is not realistic to expect that all options could be taken forward, at least in the medium term, given all other competing demands and constraints on the Council's reducing resources.

2.17 **Action 3:** Cabinet is requested to identify and rank in priority order those renewable energy projects which are preferable and could be included in the *RES* for further investigation.

d) *Resources required for delivery of the RES*

2.18 Whilst agreement of a *RES* is a positive step, without any further resources it obviously cannot be fully delivered.

2.19 Clearly some of the proposed actions can and will be delivered within existing resources. However most of the actions cannot be. Many of the actions fall potentially under the definition of 'invest to save'. However, there are 'prudence' constraints on how the Council's underlying borrowing requirements for capital investment, and to even develop the business case for the options requires both officer time and the input of external assistance, due the specialised nature of the subject areas.

2.20 Delivery of the proposed action plan will require allocation of both capital investment and ongoing revenue, and clearly there are competing pressures for both these sources of funding.

2.21 As stated it is expected that the actions will generate ongoing and significant savings. However, there are clearly significant risks attached as well. As an example the development of a business case for an item will require resources but might also reveal that an item cannot be realistically be delivered.

2.22 Therefore, Cabinet need to consider where the *RES* ranks in relation to other priorities and where in terms of timescales it fits.

2.23 Based on this Officers can then start to develop firm proposals that can be

included for consideration within the Council's policy /budget setting processes.

2.24 In order to provide direction in this regard and help Officers start to consider capacity and resource requirement Cabinet is requested to consider where the delivery of the RES ranks in relation to some of other 'big ticket' items in the Corporate Plan. These include-

- Council Housing building program
- Work to improve quality and availability of housing.
- Maintaining / investing in sports / leisure facilities
- Maintaining welfare benefits
- Supporting voluntary, community, faith, arts and culture groups
- Delivery of public realm projects (eg Square Routes, MAAP)
- Managing / maintaining the Council's buildings and assets

2.25 **Action 4:** Cabinet is requested to consider where delivery of the RES ranks in relation to other priorities and where in terms of timescales it fits so that officers can develop firm proposals for consideration within the wider budget.

### **3.0 Details of Consultation**

3.1 The development of the *RES* has been informed in consultation with officers. Members will be consulted on an ongoing basis through briefings and the appropriate Cabinet Liaison Group which will in turn contribute to the *RES*'s ongoing development. In addition this report will also be referred to Overview and Scrutiny for consideration.

### **4.0 Options and Options Analysis (including risk assessment)**

4.1 This report has set out four priority areas where input from Cabinet is required to assist in the development of the *RES*.

### **5.0 Officer Preferred Option (and comments)**

5.1 As set out in the report.

### **6.0 Conclusion**

6.1 This report has provided an update on the development of the *RES* to date and requests Cabinet's further direction.

## **RELATIONSHIP TO POLICY FRAMEWORK**

The Council has long recognised its commitment to the environment and the current Corporate Plan (2014-16) outlines the ethos, vision and priorities of the Council with a specific priority is that of 'Clean, Green and safe Places'. One of the desired outcomes of this priority is that 'the Council's impact on the environment' will be minimised. The *RES* contributes to achieving this outcome.

## **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

As outlined in the report

## **LEGAL IMPLICATIONS**

The completed RES will take into account any statutory duties the Council may have, however there are no legal implications directly arising from this report.

### **FINANCIAL IMPLICATIONS**

The 2013/14 revenue budget includes an amount of £20K to pay for external expertise to help develop the RES. The provisional outturn position is £8K leaving £12K remaining unspent. However, as the project is still ongoing the remainder may be the subject of a carry forward request, to be considered as part of the revenue outturn report.

With regard to renewable energy projects, the report is seeking a steer from Members as to which areas they would like to see being investigated further. To aid this, various possible scenarios including cost and payback information are attached as Appendix 2.

However, it must be stressed that these are based on estimates supplied by the consultant, and are therefore indicative only, so should these options be explored further then further reports will need to be prepared and considered including full financial appraisals to justify their support.

In terms of the costs that would be incurred in investigating options and completing any appraisals, it is proposed that for General Fund proposals, these be met from the Invest to Save reserve (balance around £1.5M), and for Council Housing, these be met from the Business Support Reserve (balance around £8.1M).

Members need to be mindful that as generally, each option would require significant financial investment, then difficult financial decisions will need to be taken as the funding options are limited to the use of reserves and/or increasing the Council's borrowing requirement. Again, these considerations will form part of any full financial appraisal.

It is reiterated that the Council will not be in a position to take all options forward, in the medium term.

### **OTHER RESOURCE IMPLICATIONS**

#### **Human Resources:**

As outlined in the report

#### **Information Services:**

None at this stage

#### **Property:**

The RES considers responsibilities for energy management for property and considers the options available for achieving this aim.

#### **Open Spaces:**

None at this stage

### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and her comments reflected in the report.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

none

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