



DERBY CITY COUNCIL

## PLANNING AND ENVIRONMENT COMMISSION 17 October 2005

Report of the Director of Corporate Services

### Scoping Report on a proposed Review of Energy Use by Derby City Council

#### RECOMMENDATION

1. That the Planning and Environment Commission adopt the proposals for a review of energy use by Derby City Council that are set out in the attached scoping report.

#### SUPPORTING INFORMATION

- 2.1 At its meeting on 5 September 2005, the Planning and Environment Commission agreed that as one of its work plan topics for 2005/06 it would investigate the City Council's use of energy.
- 2.2 The scoping report contained in Appendix 2 of this report sets out proposals for a review with the following objectives:
  - a) To obtain information on likely future UK energy costs and any supply constraints and use this to assess the current impact and short/medium term implications of the Council's current energy policies and energy procurement arrangements
  - b) To examine the implications for the Council on any forthcoming legislation on energy/fuel use
  - c) To consider and where appropriate make recommendations on the actions that the City Council might take in order to:
    - i. Reduce its energy consumption and energy costs
    - ii. Minimise the effect of energy price increases or energy shortages on Council services and the City
    - iii. Increase its resilience to possible energy shortages
    - iv. Utilise alternative energy sources
- 2.3 The Commission is recommended to adopt the proposals for the review that are set out in the scoping report.

**For more information contact:**

**Background papers:**

**List of appendices:**

David Romaine 01332 255598 e-mail david.romaine@derby.gov.uk  
Appendix 1 – Implications  
Appendix 2 – Scoping report on a Review of Energy use by Derby City Council

<b>IMPLICATIONS</b>
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**Financial**

1. The costs of the review can be contained within the Commission's research budget

**Legal**

2. There are no legal implications arising from this report.

**Personnel**

3. There are no personnel implications arising from this report.

**Equalities impact**

4. Any reduction in the Council's energy costs will be of benefit to all Derby people.

**Corporate Objectives, Values and Priorities**

5. This report has the potential to link to the following of the Council's Corporate Objectives, Values and Priorities:

Objectives:

- A prosperous successful and vibrant economy

Values

- Adopt new ways of working wherever these will help us do things better and provide value for money, customer focussed services

Priorities

- Minimise increases in Council Tax and increase value for money services

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Planning and Environment Commission

## **Scoping Report on a review of Energy use by Derby City Council**

### **1. Introduction**

At its meeting on 5 September 2005, the Planning and Environment Commission agreed that as one of its work plan topics for 2005/06 the Commission would investigate the City Council's use of energy.

This report sets out the possible scope of a review which is intended to:

- Examine the implications for the Council and Derby as a whole of the current and likely future cost and availability of fossil fuels and energy derived from fossil fuels
- Consider and where appropriate make recommendations on the actions that the City Council might take in order to minimise the effect of energy price increases or energy shortages on Council services and the City.

### **2. Background to the Review**

The September edition of DTI Energy reported that in the United Kingdom between June 2004 and June 2005, average industrial electricity prices, including the Climate Charge Levy (CCL), increased in real terms by 33.8%. Over the same period, average industrial gas prices, including the CCL, increased by 36.4% in real terms and average coal prices by 24%.

Domestic consumers of gas and electricity have also seen charges increase. Between June 2004 and June 2005 average domestic electricity prices rose by 7.5% in real terms and gas prices by 10.5%. The price of heating oils increased by 24% in real terms and that of coal by 8.8%.

In the year to mid September 2005 road fuel diesel prices have increased by 14.4 pence per litre (equivalent to an increase of 11.5%) and those for unleaded low sulphur petrol (ULSP) by 13.2 pence per litre (equivalent to an increase of 14.4%).

The recent increases in energy prices have had serious implications for energy users. On 27 September 2005 the BBC reported that the utility consumer group Energywatch had voiced its concerns about the increased costs to a meeting at the 2005 Labour Party Conference and had called for government intervention to help lower prices. The BBC also reported that at the same meeting the CBI had warned that firms may be forced to lay off staff and close down this winter because of a shortage of power. The CBI chief Sir

Digby Jones reportedly told Energy Minister Malcolm Wickes that low energy reserves were posing a serious threat to business and said that companies were 'incredibly worried' about the threat to supplies in the coming months. He said that this was because 'inadequate' planning meant that the UK only had enough gas in reserve to supply companies for 11 days as opposed to 55 days in other European countries.

Following the meeting David Workman, the director of the glass manufacturers association British Glass said that forecasts for the first quarter of 2006 suggested that gas prices would have increased by 166% compared with the first quarter of 2003. He said that one company, British Optical, had already moved its operations to the Far East because of high energy prices.

David Walkman said that all businesses and public services were being hit by the high energy costs.

The table below shows that the City Council's energy costs for 2004 were in the order of £3.7 million.

Table – Actual 2004 FY energy costs

Detail Code	Narrative	Amount (£)
<b>Direct Fuel Related Costs</b>		
CCD02	Premises Fuel Oil	26,240.94
CCD20	Electricity	1,500,185.55
CCD25	Street Lighting Electricity	447,837.56
CCD26	Traffic Signal Energy	25,575.00
CCD40	Gas	1,094,556.10
CCD43	Gas Communal Heating	32,978.92
DDA46	Petrol	24,713.53
DDA47	Fuel Oil	93,929.93
DDA49	LPG	486.28
DDA51	Fuel Derv	486,033.91
<b>Sub Total:</b>		<b>3,732,537.72</b>

The City Council's energy costs for 2005 have been approximately estimated by applying three quarters of the increases set out in the September edition of DTi Energy to the Council's 2004 energy figures. This is a very crude estimation but serves to illustrate the probable size of the cost rise. The estimated figures are set out in the following table.

Table – Estimated 2005 FY energy costs

	2004 Costs (£)	Corrected % increase for 2005	Estimated 2005 costs (£)
All electricity	1,973,597	25.35%	2,473,903
All gas	1,094,556	27.3%	1,393,369
All Fuel Oil	120,169	18%	141,799
All road fuel			
Diesel	486,033	8.62%	527,929
Petrol	24,713	10.8%	27,382
			<b>Total 4,564,382</b>

The figures in the following table are the Council's actual energy/fuel costs for the current financial year to 1 October 2005.

Table – Actual 2005 Energy costs (April-September)

Detail Code	Narrative	Amount
CCD02	Premises Fuel Oil	£10,513.91
CCD20	Elect	£855,578.51
CCD25	Street Ltg Elect	£178,729.44
CCD26	Traffic Signal Elect	£13,950.00
CCD40	Gas	£555,969.22
CCD43	Gas Communal Htg	£15,414.41
DDA46	Petrol	£14,675.50
DDA47	Fuel Oil	£53,457.12
DDA49	LPG	£6,761.39
DDA51	Fuel Derv	£294,354.39
	Total	1,999,403

These figures show that the Council's expenditure on energy/fuel for the first six months of the 2005/06 financial year was approximately £2m. On this basis the estimated figure of £4.6 m for the whole year seems credible.

At present the Commission has no figures with which to predict energy costs for 2006, so an arbitrary increase of 20% has been assumed. On this basis the Council's energy costs for 2006 would be around £5.5 million.

It is considered that the recent and projected increases in energy and fuel costs are likely to have significant implications for the City Council and must inevitably impact on the way in which it operates and delivers its services.

The cost increases will also impact on companies and organisations that deliver services to the Council and the people of Derby. The Commission therefore considers it very appropriate to conduct a review with the dual aims of identifying:

- a) the implications of the increased costs for the Council and the wider city, and
- b) ways in which the Council might minimise the effect of those increases

### 3. Proposed Objectives of the Review

It is suggested that the objectives of the review should be for the Commission to:

1. Obtain information on likely future UK energy costs and any supply constraints and use this to assess the current impact and short/medium term implications of the Council's current energy policies and energy procurement arrangements
2. Examine the implications for the Council of any forthcoming legislation on energy/fuel use

3. Consider and where appropriate make recommendations on the actions that the City Council might take in order to:
  - a) Reduce its energy consumption and energy costs
  - b) Minimise the effect of energy price increases or energy shortages on Council services and the City
  - c) Increase its resilience to possible energy shortages
  - d) Utilise alternative energy sources

#### **4. Suggested Outline of the Review**

In order to conduct this review it is suggested that the Commission should:

##### **Stage 1**

1. Obtain information from officers on the Council's current and short/medium term energy policies and identify the current consumption of energy by the Council and the associated costs and carbon dioxide emissions.
2. Obtain information from specialists on the likely trends in UK energy demand, supply and prices.
3. Consider the implications for the Council of any forthcoming legislation, either UK or EC, on energy/fuel use.

##### **Stage 2**

4. Relate the Council's current and short/medium term energy use to likely projected energy demands and determine the cost implications for the Council.
5. Obtain information from officers on the actions that the Council could take in the short term to reduce its consumption of energy.
6. Issue an interim report to Council Cabinet identifying:
  - a) the likely energy costs for the Council in 2006 and 2007, and
  - b) short term actions that the Council could take to reduce its energy costs and the cost/time implications of implementing those actions

This report should be issued in time for any suggestions to be considered as part of the Council's 2006/7 budget proposals

##### **Stage 3**

7. Ask Council service providers how they plan to provide services if fuel/energy supplies become unreliable or excessively expensive and use this information to identify the risks faced by the Council.
8. Look at local authority/commercial/organisation examples of alternative energy use and obtain approximate cost/benefit figures for these alternatives.
9. Identify any realistic alternative energy sources for the Council and:
  - a) the contribution these sources might make
  - b) the consequent savings in the Council's energy bills
  - c) the estimated costs of any necessary plant/equipment and the time needed for its installation
10. Issue a final report setting out the Commission's findings and making any appropriate recommendations to Council Cabinet.

## 5. Stakeholders in the Review

It is considered that the main stakeholder groups in this review will be:

- The Officers of the Council departments who are responsible for determining the Council's energy and energy procurement policies
- Representatives of Council service providers
- The relevant Cabinet member(s)

It is not considered that the general public will be direct stakeholders in this review.

## 6. Terms of Reference of the Proposed Review

The Terms of Reference of the proposed review are as shown in the table below.

Terms of Reference		
	Issue	Action
1	Understanding of the Council's current and short/medium term energy policies	Meetings with relevant Council Officers
2	Appreciation of likely trends in UK energy demands, supply and prices	External input – possibly from consultant by Commission
3	Appreciation of the implications for the Council of any forthcoming UK or EC legislation on fuel/energy use	Meetings with relevant Council Officers
4	Assessment of the cost implications for the Council of its current and short/medium term energy policies	Consideration of information obtained from 1, 2 and 3 above
5	Identification of any short term actions the Council could take to reduce its energy costs	Meetings with relevant Council Officers and research by the Commission
6	Identification of short/medium term energy associated risks faced by the Council	Meetings with representatives of Council service providers and research by the Commission
7	Identification/assessment of any alternative energy sources available to the Council	Fact finding visits and research by the Commission
8	Development of recommendations arising from the review	Meetings with Council officers and consideration of information obtained in the course of the review.

## 7. Timetable and Member input into the Review

In order for the Commission's recommendations to be considered as part of the 2006/07 budget process, Stage 2 of the review must have been completed by December 2005 at the latest.

Stage 3 of the review must be completed, and the final report approved by the Commission by March 2006.

The figure below illustrates the suggested time table for the review.

Week commencing	Stage1	Stage2	Stage3
3 October 2006	'Scene setting' meetings with officers re energy policies and legislation		
10 October			
17 October	<b>Commission meeting 17 October</b>		
24 October	Consider information obtained about fuel availability and price trends		
31 October			
7 November		Determine cost implications of Council's current energy use/policies  Meetings with officers to consider options to reduce energy use  <b>Commission meeting 21 November</b>	
14 November			
21 November			
28 November		Preparation of interim report to Cabinet	
5 December			
12 December		<b>Cabinet meeting 20 December</b>	Meetings with Council service providers
19 December			
26 December	Christmas break		
2 January 2006			
9 January			
16 January			<b>Commission meeting 16 January</b>
23 January			Fact finding visits to see examples of alternative energy use
30 January			
6 February			



13 February			Consideration and identification of alternative energy sources for the Council
20 February			
27 February			<b>Commission meeting 27 February</b>
6 March			Preparation of final report to Cabinet
13 March			
<b>Final report to Council Cabinet meeting 3 April 2006</b>			

It is anticipated that the suggested timetable for this review will involve the following additional meetings for members of the Commission's working group.

		Number of meetings
Stage 1	1. 'Scene setting' meetings with officers	2
	2. Meeting with 'specialists' regarding energy availability/price trends	1
	3. Meeting to consider outcomes of 1 & 2	1
Stage 2	4. Meeting to determine cost implications of Council's current energy use/policies	1
	5. Meetings with officers to consider options to reduce energy use	1
	6. Meeting to consider content of interim report to Council Cabinet	1
Stage 3	7. Meetings with Council service providers	2
	8. Fact finding meetings to see examples of alternative energy use	3(max)
	9. Meeting to consider and identify alternative energy sources for the Council	1
	10. Meeting to consider content of final report to Council Cabinet	1
	<b>Total</b>	<b>14</b>

The total time involvement of members in these meetings and visits is not expected to exceed 50 hours

Members should note that if all three stages of the review were started and conducted simultaneously, it would in theory be possible to complete the whole review in time for the final report to be made to the Council Cabinet meeting on 20 December 2005. This would however require the working group to commit the full 50 hours over the 10 week period 3 October to 5 December 2005.

DRR 2 October 2005.