

Report to the Cabinet



**Epping Forest
District Council**

**Report reference: C/092/2006-07.
Date of meeting: 18 December 2006.**

Portfolio: Finance, Performance Management and Corporate Support Services.

Subject: Energy Costs and Energy Reduction Proposal.

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Recommendations:

- (1) That the anticipated increase in energy costs be noted;**
- (2) That, in order to meet the anticipated increase in gas costs, a revenue CSB growth bid in the sum of £59,000 and Housing Revenue Account CSB growth bid in the sum of £139,000 be made for 2007/08;**
- (3) That, in order to meet the anticipated increase in energy costs for the current financial year, a revenue CSB Supplementary Estimate in the sum of £12,000 and a Housing Revenue Account CSB Supplementary Estimate in the sum of £67,000 be recommended to the Council for approval;**
- (4) That a Capital growth bid in the sum of £42,000 be made to design and install Solar Water Heating at the Civic Office Complex; and**
- (5) That, subject to the approval of Recommendation (4), the proposal to design and install Solar Water Heating at the Civic Offices Complex be approved**

Introduction:

1. All of the major energy companies have now increased their prices twice this year. In March, British Gas bills went up by 22% for gas and electricity, adding £169 to an average consumers bill. This follows increases in September 2005 when they went up by 14.2% for gas and electricity. Combined, prices have now gone up by 56% for gas and 52% for electricity since September last year. It would seem that frequent and severe price increases are becoming the norm
2. Such huge increases are primarily attributable to the depletion of the North Sea and Irish Sea gas reserves requiring supplies to be imported, which coupled with surging crude oil prices, has meant that the UK, formerly a net exporter of gas and oil, is set to become a net importer in the next year or so for the first time since North Sea oil was discovered in the 1970s.
3. The Cabinet has previously given approval for the Councils' energy contracts to be placed with the Essex Procurement Agency and as and when the relevant energy contracts mature, they will be placed under the energy procurement arrangements negotiated by OGC, who are the Essex Procurement Agency's energy purchasing partner.
4. In order to take full advantage of economies of scale, the Council's energy procurement strategy is currently undertaken in partnership with LASER for gas and NPS for electricity and the percentage price increases for the Council' contracted sites are as follows:

LARGE SITES - GAS CONTRACTS (Nominal Consumption 9,792,020kWh P.A)

Premises	Supplier	Contract Dates
<u>Civic Offices</u>	British Gas	1/11/06 to 31/10/07
<u>Waltham Abbey Pool *</u>	British Gas	1/11/06 to 31/10/07
<u>Loughton Leisure Centre *</u>	British Gas	1/11/06 to 31/10/07
<u>Epping Sports Centre *</u>	British Gas	1/11/06 to 31/10/07
Buckhurst Court	British Gas	1/11/06 to 31/10/07
Hyde Mead house	“	“ “
Jessop Court	“	“ “
Jubilee Court	“	“ “
Leonard Davis House	“	“ “
Norway House	“	“ “
Parsonage Court	“	“ “

All these premises are under agreements with LASER and are on the Large Sites Contract.

NB The existing budgets for energy under the new contract needs to be increased by approx 37% between 01/11/06 and 31/03/07 and increased by approx 67% for the full year between 1/04/07 and 31/03/08.

* Energy costs are being re-charged to SLM

SMALL SITES – GAS CONTRACTS (Nominal Consumption 6,446,790 kWh P.A.)

<u>Langston Road Depot</u>	British Gas	1/11/06 to 31/10/07
<u>Limes Farm Hall</u>	British Gas	1/11/06 to 31/10/07
Frank Bretton House	“	“ “
Plus Housing Flats etc At Ninefields	“	“ “

All these premises are under agreements with LASER and are on the Small Sites Contract.

NB The existing budgets for energy under the new contract needs to be increased by approx 4% between now and 31/03/07 and increased by approx 4% for the period 01/04/07 and 31/10/07 and 26% for the period 01/11/07 and 31/03/08.

5. Council Premises that are not currently on contract, includes Pyrles Lane Nursery and Waltham Abbey Museum, and billed on standard gas tariff charges could be subject to increases of up to 25% during the current financial year and probably more for the full year between 1/04/07 and 31/03/08 and budgets need to be increased accordingly.

6. Historically, the Head of Finance has adjusted energy budgets in line with the Retail Price Index however, due to the predicted increase in energy costs, it is considered appropriate to seek authority to bid for CSB growth for 2007/08 in the sum of £59,000

(General Fund) and £139,000 (Housing Revenue Account) and to request the Council to approve a Supplementary Estimate for the current financial year in the sum of £79,000, split £12,000 General Fund and £67,000 Housing Revenue Account.

7. In respect of the additional costs to the HRA, in time, the majority of these will be able to be recovered through the energy cost increases being passed on to tenants and leaseholders, in the form of increased heating charges (mainly at sheltered housing schemes and Norway House) and service charges.

8. However, although full recovery can be achieved from leaseholders - whose "actual" charges for energy costs are finalised at the end of the financial year to reflect the true cost - it should be noted that when energy costs increase more than anticipated within a financial year, there is a "time lag" in respect of the recovery from tenanted properties, since their charges have to be set in advance of the financial year, based on estimates, and cannot be adjusted at the end of the year to reflect the true actual costs.

Energy Reduction Proposal:

9. At the meeting of the Cabinet held in April 2005, approval was given for a sum equivalent to 5% of the Council's total energy spend to be allocated to energy reduction measures and for the current financial year, it is proposed to install a Solar Water Heating System within the Civic Offices Complex.

10. Solar Water Heating Systems gathers energy radiated by the sun and converts it into useful heat in the form of hot water and has the potential to provide the entire new building with domestic hot water requirement during the summer and approximately 50% all year round whilst achieving a significant reduction in carbon emissions.

11. In accordance with the Cabinet Decision (April 2005), to invest a sum equivalent to 5% of the Council's 2005/06 total energy spend on energy reduction measures, it is proposed to allocate £42,000 to the supply and installation of a Solar Water Heating System.

12. In terms of Pay Back, this will range from 5 to 15 years, depending on the particular design and application however, with due regard to the 80% increase in the price of gas during the past three years and the reduction in carbon emissions that will be achieved, it is recommended that the proposal be approved.

Statement in Support of Recommended Action:

13. This report has been structured to bring together the anticipated impact of increased energy costs for gas, in order for CSB growth to be identified and to enable adequate budgetary provision to be made.

14. To seek Cabinet authority to undertake an energy reduction works that accord with a previous Cabinet decision.

Other Options for Action:

15. As detailed in the recommendations.

Consultation undertaken:

16. Financial Services; NPS and LASER.

Resource Implications:

Budget provision: The 2006/07 original estimates for energy are £750,000 in total (General Fund £230,000 and Housing Revenue Account £520,000). The increases mentioned in the report will increase the current year and 2007/08.

Personnel: Existing personnel supported by specialist consultants.

Land: Nil.

Community Plan/BVPP reference: N/A.

Relevant statutory powers: N/A.

Background papers: Energy Market Intelligence.

Environmental/Human Rights Act/Crime and Disorder Act Implications: None.

Key Decision reference (if required): None.