ITEM NO

REPORT TO COUNCIL

29 June 2007

REPORT OF DIRECTOR OF NEIGHBOURHOOD SERVICES

Portfolio: Planning and Development

Sedgefield Borough Local Development Framework – Incorporating A Renewable Energy Obligation into Developments

1. SUMMARY

1.1 The Borough's Local Development Framework is currently under preparation. The requirement to incorporate renewable energy measures within major planning applications conforms to the guidance contained in Planning Policy Statement 22 and the emerging North East Regional Spatial Strategy.

1.2 The Core Strategy Preferred Options Report provides policy guidance as to how this will be addressed in a local context. The emerging Core Strategy policy needs to be supported by a best practice guidance note to Developers so that they can meet this policy theme. This report sets out the case for the best practice guide to support the Local Planning Authority to require that all new developments over 1000m² should incorporate an on-site renewable energy production capability.

2. RECOMMENDATIONS

2.1 That Cabinet commend the attached Best Practice Guide to Council. The document will require Council authorisation to be published.

2.2 It is further recommended that Cabinet agree that the level of embedded renewable energy required for new developments and major refurbishments, be set to an initial 10% of the total requirement, rising by 1% annually.

3. INCORPORATING A RENEWABLE ENERGY OBLIGATION INTO DEVELOPMENTS

Background

3.1 Following the publication of Planning Policy Statement 22, the London Borough of Merton became the first local authority to formalise the Government's renewable energy

targets. Merton's policy insisted that all new major developments and refurbishments within the Borough should incorporate on-site renewable energy technology to generate at least 10% of their energy needs.

3.2 Since then, over 100 other local authorities have adopted similar policies (Appendix 1). The incorporation of a 10% renewable energy policy is embedded within both the emerging Regional Spatial Strategy and Local Development Framework (Appendix 2).

3.3 Reducing the impact of development on climate change is one of the key Aims of the Local Development Framework. The objective of promoting energy efficiency and the generation of energy from renewable sources support this Aim. The Core Strategy Preferred Options Report contains a policy theme on Energy that requires the delivery 10% of energy demand by 2010, increasing incrementally to 20% by 2020, by renewable means for new development. This policy position conforms to the emerging North East Regional Spatial Strategy.

The Policy Statement

3.3 The emerging Regional Spatial Strategy will adopt a 10% target, which is to be doubled by 2020. The Secretary of State is likely to adopt this document this financial year.

3.4 Therefore, in support of the emerging Regional Spatial Strategy and Local Development Framework, the Borough Council should adopt the following policy statement in relation to embedded renewable energy provision:

"Sedgefield Borough Council expects all development (either new build or conversion) with a floorspace in excess of 1,000m², or ten or more residential units to incorporate embedded energy from renewable sources, to provide at least 10% of the predicted energy requirements. This percentage should be increased annually by 1%."

3.5 The production of renewable energy is not just 'environmental ideology' nor should it be seen as a 'token gesture'; it can offer a wide range of benefits. These benefits are listed below:

Benefits for the Environment
- Reduced greenhouse gas emissions;
- Better adaptation to climate change.

Benefits for Developers
- Enhanced marketing value and public approval;
- Evidence of higher property values;
- Chance to be innovative.

Benefits for End User
- Lower running costs;
- Raised sustainability credentials;
- Innovative features;
- Improved well-being and a 'feel good' factor;
- Reduced reliance on fossil fuels;

- Providing a possible backup if fossil fuel supply fails;
- Possible income by selling any surplus energy through ROC's[1];
- Evidence of higher property values.

3.6 It will also show that the Borough Council have a visible commitment to sustainable development and mitigating the impacts of, and adapting to climate change and are prepared to 'lead by example'.

Economic Benefits

3.7 A recent study, led by the Royal Institute of Chartered Surveyors (RICS) found that 'green' buildings can earn higher rents and prices, attract tenants and buyers more quickly, cut tenant turnover, cost less to operate and maintain and bring a feeling of 'well being' to the occupiers[2]. Many businesses investing in renewable energy have reaped the rewards of reduced overheads and increased profits[3] whilst others have been financially exposed to the rises in energy prices experienced in the last two years.

3.8 In the short term, there will be an increase in the initial cost of developments but this will be passed to the end user. However, over the longer term this would be paid back through reduced energy costs. The level of the increased cost will ultimately depend on the technology installed. It is however worth remembering that for industrial developments, this cost could be recouped within 5-10 years because of the decrease in energy costs associated with an on-site source of heating and/or electricity. Furthermore, the use of renewable technologies could also create an extra income source for the end user, through 'Renewable Obligation Certificates' (ROC's)[4]. Current ROC's and electricity prices mean that generated electricity can be worth in excess of £100 per MWh, recouping initial capital costs in as little as three years[5]. The introduction of a policy supporting renewable energy would reduce the demand on the national grid, while securing a localised and reliable energy supply. This could be important in the future, when increased weather variability and diminishing fossil fuel resources could disrupt the energy supply network[6].

3.9 By adopting the 10% policy, the Borough Council will contribute to the emerging renewable energy economy, worth £35m in 2003 and projected to be worth £750m in 2007/08[7]. This will in turn lead to a decrease in the unit price of such technologies, as has been seen with micro wind turbine manufacturers, 'Windsave' and 'Renewable Devices'[8] and help to increase the number of installers and manufacturers within the region.

[1] ROC's – Renewable generators receive ROC's for each MWh of electricity generated. These certificates can then be sold to create an extra income.
[2] RICS, 2007: Transforming Existing Buildings: The Green Challenge
[3] THE CARBON TRUST, 2005: Energy Saving Fact Sheet - Renewable Energy
[4] ROC's – Renewable generators receive ROC's for each MWh of electricity generated. These certificates can then be sold to create an extra income.
[5] TNEI, 2006: On-site generation
[6] www.ukcip.org.uk
[7] http://themertonrule.org/the-merton-rule/renewable-energy-economy
[8] 'Swift' 2004 price £4500 – 'Swift' 2007 price £2000

Environmental Benefits

3.10 The increased use of renewable technologies will result in a reduction in the amount of Carbon Dioxide (CO_2) emitted and therefore a reduced contribution to climate change. It will also decrease dependence on finite fossil fuels.

Social Benefits

3.11 It is likely that the introduction of the policy will have most socially beneficial effect when developments are located in communities suffering from deprivation. The policy will immediately reduce instances of fuel poverty, through reduced running costs and improve the comfort and satisfaction of residents. It is also likely that the policy will help improve pride and community spirit[9].

Public Opinion

3.12 Surveys have consistently shown that end users of buildings would prefer to have installed renewable technologies if given the choice[10]. It is disingenuous for developers to claim that there is no demand for renewable technologies when they have never actively promoted the idea. A DTI survey in 2003 found that over 90% of people questioned said they were in favour of renewable energy[11].

Image

3.13 Developer are already using the installation of renewable energy to enhance their corporate image, demonstrating the sustainability performance of their developments, which differentiate them from competitors. This has been used to attract a premium on house prices and rental streams.

Energy Supply

3.14 The issue of security of supply in relation to traditional resources was addressed in the Government's Energy White Paper in 2003 and updated in the 2007 Energy White Paper[12]. The report highlights the need for a diverse mix of energy production with renewable energy an integral part of this mix.

4. RESOURCE IMPLICATIONS

4.1 It is recognised that the adoption of the 10% policy could impact upon the value of land sales for the Borough Council. However, the cost of renewable technologies has been over emphasised by developers in the past. The true cost of meeting the 10% rule is only at about 0.6% to 6.2% of the total build cost (depending on the technologies chosen). Merton Borough Council, who pioneered the rule, along with a number of

[9] Department of Communities and Local Government, 2006: Code for Sustainable Homes / Energy Centre for Sustainable Communities, 2006: Renewable Energy and Energy Efficiency
[10] www.themertonrule.org
[11] DTI – Attitudes and knowledge of Renewable Energy amongst the General Public www.dti.gov.uk/files/file15478.pdf
[12] www.dti.gov.uk/energy/whitepaper/page39534.html

other London Council's indicate that as long as the additional build cost is kept between 3-5% this should be deemed as reasonable for the developer to meet[13].

4.2 There may be an initial cost to the Authority in terms of assessing planning applications for the renewable energy requirement. Because this policy is new to both developers and SBC staff it may be pertinent to factor in some training for staff and/or consultant support time, to ensure the correct procedures and calculations are being followed.

5 CONSULTATIONS

5.1 The report and Best Practice Guide has been prepared in consultation with Officers from Planning and Technical Services, Strategy and Regeneration, and Resources.

5.2 The Best Practice Guide will be subject to a period of six weeks public consultation, alongside other Local Development Framework Documents. The consultation will be undertaken, in accordance with the consultation methods outlined in the Statement of Community Involvement and further details can be seen in the accompanying Statement of Consultation.

5.3 Following the consultation, the responses will be collated and analysed. The final version of the Best Practice Guide will then be brought to Cabinet and Council for formal adoption.

6 OTHER MATERIAL CONSIDERATIONS

6.1 Links to Corporate Objectives / Values

The above recommendations adhere to the following ambitions and aims contained within the Council's Corporate Plan 2006/07 – 2008/09.

Corporate Ambition	Community Outcome	2006 Aim
Attractive Borough	Ensuring a cleaner greener environment	*Aim A1* – Monitor and improve local environmental conditions
	Improving towns, villages and the countryside	*Aim A3* – provide a high quality, efficient customer focused planning service that supports sustainable improvement to the natural and built environment.
	Reducing waste and managing natural resources	*Aim A6* - Raise awareness of sustainability issues within the Council and external organisations

In relation to any planned developments in SBC ownership. The following Corporate Plan ambitions also apply.

[13] www.themertonrule.org

Corporate Values	Be responsible with and accountable for public finances	*Aim C7* – Identify year-on-year efficiency gains from the conception, procurement, and delivery of goods, services and works
		Aim C9 - Provide effective Asset Management and maximise the useful life/return on investment for the Council's property portfolio.
	Achieve continuous improvement and innovation in service delivery	*Aim C11* - Maximise the benefit of new technologies

The publication of the document will also help meet Corporate Aim 25, which is to provide a high quality, efficient and customer focussed Planning Service that supports sustainable improvement of the built and natural environment of the Borough.

6.2 Legal Implications

The document must be published in accordance with the Town and Country Planning (Local Development) (England) Regulations 2004.

6.3 Risk Management

If the Best Practice Guide does not support the Core Strategy Energy theme, the deliverability of sustainable communities across the Borough may be hindered and this could have a negative effect upon the implementation of the Borough's Community Strategy.

It was initially predicted by the London Borough of Merton that some developers would have some resistance to the policy, as it could increase the build costs of their development. These initial fears were not realised, as most developers were extremely enthusiastic about the policy as it was found that they could charge an additional premium for these products.

It was also suggested that because some neighbouring Authorities did not have such a policy 'Merton' would lose investment. This was again not realised, with developers continuing to invest heavily in the Borough. It was suggested by 'Merton' that depending upon the type of development, up to 5% additional build cost could be considered reasonable at 2005 national (fossil fuel based) energy costs[14].

The main obstacle for developers was a lack of experience and expertise. However, this will, in part, be addressed by the accompanying Best Practice Guide.

6.4 Health and Safety Implications

No additional implications have been identified.

[14] http://themertonrule.org/the-merton-rule/viability-feasibility

6.5 Sustainability

The good practices within the proposed policy contribute to the economic, environmental and social aspirations of the sustainable communities agenda. This is achieved through effective and efficient use of both financial and natural resources and the consequent reduction of CO_2 emissions.

All developers should also be encouraged to adhere to the energy hierarchy, to reduce the need for energy in the first instance, to use energy more efficiently and then to use renewable energy[15].

6.6 Equality and Diversity

The Core Strategy Preferred Options Report will be made available in alternative languages, Braille or in audio format where requested, and will be placed on the website in pdf format.

Equality and diversity issues are discussed in the Core Strategy and the accompanying Sustainability Appraisal.

6.7 Social Inclusion

Social inclusion issues are discussed with the Document.

6.8 Procurement

There are no procurement issues.

7 OVERVIEW AND SCRUTINY IMPLICATIONS

7.1 None.

8 LIST OF APPENDICES

Appendix 1 – Case Studies
Appendix 2 – Policy Context
Appendix 3 – Best Practice Guide

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Ward(s): All

Key Decision Validation: This is a Key Decision as a decision made by Cabinet in the course of developing proposals to Council to amend the **policy framework**.

[15] LGA, 1999: Energy Services for Sustainable Communities The Local Government Position

Background Papers

Planning Policy Statement 22: Renewable Energy
Town and Country Planning (Local Development) (England) Regulations 2004
DTI (2003), Energy White Paper – creating a low carbon economy
DTI (2007), Energy White Paper – meeting the energy challenge
DEFRA, (2001) Climate Change - The UK Programme
Sedgefield Borough Council, Sustainable Energy and Water Policy 2007/2010
Merton Borough Council (2004), Unitary Development Plan

Examination by Statutory Officers

		Yes	Not Applicable
1.	The report has been examined by the Councils Head of the Paid Service or his representative	☐	☐
2.	The content has been examined by the Councils S.151 Officer or his representative	☐	☐
3.	The content has been examined by the Council's Monitoring Officer or his representative	☐	☐
4.	The report has been approved by Management Team	☐	☐

Appendix 1

Case studies

The London Borough of Merton
The 'Merton Rule' is the groundbreaking planning policy, pioneered by the London Borough of Merton. It requires the use of on-site renewable energy to reduce annual carbon dioxide (CO_2) emissions in the built environment and states:

"The Council will expect all development (either new build or conversion) with a floor-space of 1000m2 or ten or more residential units to incorporate renewable energy production equipment to provide at least 10% of the predicted energy requirements."

Kirkless Metropolitan Council
Proposals for major developments submitted before 2011 will need to include an energy efficiency statement and incorporate renewable energy generating capacity to provide at least 10% of the development's predicted energy needs; proposals submitted during 2011 to 2015 will need to incorporate 15% and proposals submitted after 2015, 20%.

Kirklees have developed a 30% renewable energy requirement on all new council buildings.

North Devon District Council
"The expectation will be that at least 15% of the predicted annual energy requirements of a particular development should be met by means of independent renewable energy generation. ...For the purposes of Policy ECN15 major development is defined as 1000 m sq (gross) or more of employment or retail floorspace or at least 50 dwellings."

Eastleigh Borough Council
Eastleigh BC are aiming to become carbon neutral within 5 years. As part of this ambitious aim, they are pledging to ensure that all new development on major sites will, by 2009, be carbon neutral and for all sites to be carbon neutral by 2012.

All new Borough Council development, for projects launched from this spring, will be carbon neutral.

Over 100 local authorities have adopted 'Merton' type policies. These include: Croydon, E. Devon, Hammersmith & Fulham, Isles of Scilly, Lancaster, Leicester, Luton, Merton, Milton Keynes, North Devon, Oldham, Richmond, Sefton, Southampton, Tandridge, Vale Royal, Wakefield, Waltham Forest, W. Devon.

Appendix 2

Policy Context

Our Energy Future: Creating a Low Carbon Economy[16]

This 2003 Energy White Paper sets the government's objective to cut CO_2 emissions by 60% by 2050 with real progress by 2020. It also includes a target to generate 10% of the UK's energy needs by renewable technologies by 2010 and 20% by 2020.

Planning Policy Statement (PPS) 22 (paragraph 8)

This national planning guidance states that:

'Local planning authorities may include policies in local development documents that require a percentage of the energy to be used in new residential, commercial or industrial developments to come from on-site renewable energy developments.'

Regional Spatial Strategy Policy 40(c)

It will be a requirement of all local authorities covered by the emerging Regional Spatial Strategy (RSS), that strategies, plans and programmes should:

'...require new developments, particularly major retail, commercial and residential, to have embedded within them a minimum of 10% energy supply from renewable sources.'[17]

Local Development Framework (LDF)

It is also a requirement within the emerging LDF Core Strategy that:

'...the Borough will expect all development (either new build or conversion) with a floorspace in excess of 1,000m², or ten or more residential units to incorporate embedded energy from renewable sources to provide at least 10% of the predicted energy requirements by 2010, and for this percentage to be doubled by 2020.'

2006 Pre-Budget Report

In the December 2006 Pre-Budget report, the Government also announced their ambition that all new homes should be built to zero carbon standards by 2016[18].

Consultation on 2006 Building A Greener Future: Towards zero carbon development

Energy performance of new housing developments should be set to the following improvement levels

- 25% above 2006 building regulations by 2010 (Code level 3);
- 44% above 2006 building regulations by 2013 (Code level 4);
- Be zero carbon by 2016 (Code level 6).

The requirement will also be a key action within the forthcoming SBC Climate Change Strategy.

[16] www.dti.gov.uk/energy/whitepaper
[17] *RSS policy 40 (c) – Due to be adopted August 2007*
[18] http://prebudget2006.treasury.gov.uk/page07.html