

THE OVERVIEW AND SCRUTINY COMMITTEE

20 June 2011

FINAL REPORT OF THE LOW CARBON ECONOMY INFORMAL SCRUTINY GROUP

REPORT OF ASSISTANT DIRECTOR (ECONOMIC PROSPERITY)

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RECENT REFERENCES:

[Minutes of the meeting of the Local Economy Scrutiny Panel](#) for 16 November 2010

OS2 - [Appointments to Informal Scrutiny Groups and External Bodies](#), 1 June 2011

EXECUTIVE SUMMARY:

This report summarises the discussions, conclusions and recommendations of the Informal Scrutiny Group established by the Local Economy Scrutiny Panel in November 2010 “*to examine how the Low Carbon Economy could be evolved in Winchester District*”.

The group met five times, inviting a number of external ‘expert witnesses’ to share information about a wide range of issues from peak oil to entrepreneurship, and from Broadband to finance for low carbon businesses. Because of the scale of the topic, Members focussed their investigations on ways of supporting businesses which contribute to a reduction in the use of fossil fuels.

This report summarises the findings of the group, and asks Members to consider the series of recommendations with a view to referring these to Cabinet for further action.

RECOMMENDATION:

That Members consider the recommendations of the Low Carbon Economy Informal Scrutiny Group set out below and refer them to Cabinet for implementation:

- a. that officers carry out further investigations into the potential for a Community Bank, including identification of potential co-investors, to support low carbon investment, with a view to reporting back to Cabinet in the autumn.
- b. that a further report is brought to Cabinet in the autumn which enables the Council to consider a formal commitment to the Hampshire Broadband project.
- c. that the Council ensures that emerging planning policy actively encourages low carbon business development.
- d. that officers work with the Sustainable Business Partnership and Winchester Action on Climate Change to develop an action plan to increase business commitment to low carbon practices, including a workable approach to disseminating the latest data and best practice guidance.
- e. that officers continue to identify and investigate with partners the skills required to support the low carbon economy.

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DETAIL:

- 1 Introduction
- 1.1 The Low Carbon Economy Informal Scrutiny Group (ISG) was established at a meeting of the Local Economy Scrutiny Panel on 16 November 2010. Members appointed to the Group were Cllrs Higgins, Hutchison, Nelmes, Pearson, Phillips, Power, three being drawn from the Local Economy Scrutiny Panel and three – in view of the cross-cutting nature of the topic – from the Environment Scrutiny Panel. Cllrs Hiscock and Bell were observers, in their capacity as the relevant Portfolio Holders.
- 1.2 The minutes of the meeting of the Local Economy Scrutiny Panel for 16 November 2010 state that the purpose of this Informal Scrutiny Group was:

“to examine how the Low Carbon Economy could be evolved in Winchester District.”

Members of the Panel agreed at their first meeting that the ISG should include, among other aspects, consideration of:
 - a) planning policies and practices in relation to low carbon businesses;
 - b) skills development needs and opportunities; and
 - c) barriers to development, and opportunities to reduce them.
- 1.3 Also at its first meeting, the Group received a presentation from Ms Christine Holloway of Winchester Action on Climate Change which set out three ways in which Winchester City Council could approach a low carbon economy. These were:
 - a) supporting businesses which contribute to a reduction in the use of fossil fuels;
 - b) helping existing businesses reduce and ultimately phase out their use of fossil fuels;
 - c) reducing the consumption of fossil fuels in other economic activity, including the public sector.

Members agreed that the three approaches helped to define what was meant by a low carbon economy, and agreed with Ms Holloway's recommendation that they focus on (a) above in the course of the ISG in view of the limited time available to them.

- 1.4 A work programme was also agreed at the outset, and this identified a number of broad themes for the ISG to explore:
- a) planning policy
 - b) energy and food security
 - c) entrepreneurship
 - d) funding for low carbon developments
 - e) barriers for business.

- 1.5 At its final meeting on 24 March 2011, Members drew up a number of recommendations to share with The Overview and Scrutiny Committee, with a view to referring them to Cabinet. These can be found in section 4 of this report.

2 Summary of Findings

- 2.1 Members heard from a range of expert witnesses working across the private and public sectors, including:
- case studies from a nursery planning to install wind turbines and a city centre business, both using their 'green' credentials as an important selling point;
 - business support organisations, able to offer insights into barriers and issues for new and developing businesses, many of which would tend to be 'low carbon';
 - consultants able to offer informed and objective assessments of key issues such as peak oil, food security and future funding options.
- 2.2 Discussions ranged from the practical to the strategic, and are fully recorded in the minutes of the ISG. Key findings were as follows:
- a) *Prioritising low carbon thinking*: the prospect of reaching 'peak oil' and a looming crisis around food security added pressing arguments to the case for developing a low carbon economy. More should be done to raise the profile of such discussions in strategic documents for the Winchester District, the new Solent and M3 Local Enterprise Partnerships, Hampshire and beyond. More can also be done to build commitment in the business community, where mixed sources of information, a lack of top-down drive, and a weak financial return can block the simplest of changes. This was especially true for bigger businesses and public bodies. A change of terminology, away from phrases such as 'sustainability' and 'climate change' which often provoke debate, might be beneficial.

- b) *Inward investment marketing*: Winchester should do more to position itself as a centre for low carbon business, through active marketing to the business community.
- c) *Supporting entrepreneurship*: reductions in public funding have already reduced business support organisations such as Business Link to a web-only presence, and are threatening other more local bodies such as Southern Entrepreneurs and the Sustainable Business Partnership. Careful encouragement of a culture of business innovation and entrepreneurship, in conjunction with the local universities and colleges, will be critical to the future diversification and so to the success of Winchester's economy. There were three, low-cost activities which could usefully be performed:
- i) Co-ordinating relevant and informative business networks to bring together small and micro-businesses;
 - ii) Advising on experienced business mentors for new or growing businesses, working with existing business organisations to help develop mentor provision;
 - iii) Advising on suitable and reasonably priced business services companies (eg book keeping, IT support) in the areas.

In addition, it was apparent that the Council and its partners might play an important role in providing competitively-priced workspace with 'easy in, easy out' terms and a range of accommodation to allow for business growth;

- d) *One to one guidance*: Members felt that the work which had been funded by the WDSP to enable WinACC to provide a free advisory service for businesses and community groups who would otherwise not be able to pay for advice from consultants was extremely beneficial, and they would welcome it continuing if resources could be found.
- e) *Superfast Broadband*: Fast and effective Broadband access is essential to ensure a strong rural economy, and the recent Blueprint process has emphasised this. The City Council should work with Hampshire County Council to support its Broadband initiative, including a letter of support for its funding bid to national Government.

Since the ISG formally closed, Hampshire County Council has submitted its bid and the previous Leader of the Council signed a letter of support as part of the submission. A recent announcement by Government indicates that although Hampshire is not in the first wave of authorities to receive the Broadband funding (which is concentrated on more rural areas such as Norfolk and Devon), it has received encouragement that this is likely to be forthcoming at a later stage.

- f) *Local produce*: Winchester is a District with a large rural component and a strong history of farming. Encouraging local production of food and drink could have positive implications for reducing the District's carbon footprint; for ensuring the long term financial viability of local farmers; for addressing the growing international concerns around food security and – at a community level – for increasing participation in physical activity through more productive use of allotments, gardens, public spaces etc. Members felt that there had not been time to explore these issues in enough detail and agreed that the topic of Support for Local Food Production should be put forward as a future ISG.

The proposal was included in a report to this Committee in June (OS02 refers), although it was not included in the first round of ISGs for 2011/12. Consequently, it is not included in the list of outstanding recommendations at section 4 below.

3 Funding for the Low Carbon Economy

- 3.1 Throughout the meetings, there was a recurrent discussion about the lack of funding creating a barrier to low carbon developments. This could be at a basic level, for example a new business seeking a small loan at a time when banks are reluctant to lend – and especially so to innovative or unusual 'low carbon' enterprises. It also affected large scale developments, such as investment in new machinery or plant for farming and forestry to reduce carbon emissions.
- 3.2 Estimates presented to the Group, based on a study commissioned from the Farm Energy Project by the City Council last year, suggested that Winchester needed to find a way to fund tens of millions of pounds of investment in low carbon development over the next decade at least. The same study concluded that the single most important initiative that could be taken locally would be the creation of a community bank.

A community bank would lend locally, lend for productive purposes, lend in favour of small to medium enterprises, and – crucially – lend over the long term rather than for fast returns as do commercial banks. 'Productive' lending would include the creation of jobs, setting up low carbon businesses, building energy efficient housing and improving the energy efficiency of existing businesses, all of which would have a positive effect on the local economy.

- 3.3 The expert witnesses suggested that local authorities might help with the establishment of the bank in any of the following ways:
- a) Creation and launch
- Provision of premises for launch, possibly co-located with credit union
 - Outline commitments to use the bank (eg deposit accounts, borrowing for certain projects)

b) Operation

- Governance (contribute a non-executive director, leader/chief finance officer on advisory board)

c) Using the bank

- Placing monies on deposit
- Contributing S106/Community Infrastructure Levy carbon offset monies to the bank, either as deposits or share capital

d) Investing in the bank

- Taking an initial shareholding in the bank
- Investing pension funds

e) Using its Sovereign Risk status to increase the amount of capital available

3.4 Members were advised that FSA regulations demand a minimum of £4m in capital was likely to be required, depending on the scale of the activities of the bank at the outset. It would be a non-profit organisation, with surpluses ploughed back into the community. This project would potentially be more viable across a number of districts, although the success of such banks has often been attributed to being genuinely local in character.

3.8 It should be noted that the presentation received by Members did not propose that the Council should itself set up a Community Bank but that it might play a supporting role in bringing about such an institution in the local area to the benefit of the local economy. Members were clear that whilst the Community Bank concept was very interesting, there were many unknown factors and potential risks to the Council, however it might choose to be involved in such a project. Subsequent discussion with officers has also highlighted concern that the project would take significant time and resources, and have difficult legal and financial implications.

4 Recommendations of the ISG

4.1 Members asked that the following recommendations be included in the ISG's final report to The Overview and Scrutiny Committee, with a view to referring them to Cabinet for further action:

- a) that officers carry out further investigations into the potential for a Community Bank, including identification of potential co-investors, to support low carbon investment, with a view to reporting back to Cabinet this autumn.
- b) that a report is brought to Cabinet in the autumn which enables the Council to consider a formal commitment to the Hampshire Broadband project.

- c) that the Council ensures that emerging planning policy actively encourages low carbon business development.
- d) that officers work with the Sustainable Business Partnership and Winchester Action on Climate Change to develop an action plan to increase business commitment to low carbon practices, including a workable approach to disseminating the latest data and best practice guidance.
- e) that officers continue to identify and investigate with partners the skills required to support the low carbon economy.

OTHER CONSIDERATIONS:

4 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 4.1 A prosperous economy is one of the three outcomes of the Winchester District Sustainable Community Strategy. The second theme under this outcome is “we are building a low carbon economy”, so the Informal Scrutiny Group has looked at a range of issues and opportunities arising from this aspiration, and its recommendations are intended to support progress in this area.

5 RESOURCE IMPLICATIONS:

- 5.1 There are no immediate resource implications arising from this report, other than an element of office time in following up recommendations and carrying out further investigations. If Members decided to take forward these investigations in detail, notably for the Community Bank, then specialist external consultancy support would be required.
- 5.2 The recommendations in this report allow for closer investigation of potentially major projects – such as Broadband and the Community Bank – about which too little is known at present and there is no formal Council commitment to proceed. Further reports are proposed by the ISG in order for Cabinet to make informed decisions about these ideas, which both appear as opportunities for further investigation in the Economic Prosperity Change Plans.
- 5.3 Any cost implications arising from other recommendations would be dealt with through the usual business planning and budgetary processes of the Council at the appropriate time.

6 RISK MANAGEMENT ISSUES

- 6.1 There are many documented environmental, social and economic risks which are considered to be significant and highly likely arising from the current rate of emission of greenhouse gases. By supporting the evolution of the local

economy to a low carbon one, the Council is taking a proactive approach to managing these risks.

- 6.2 Any risks associated with specific projects proposed in the recommendations would be subject to individual risk assessments (along with full impact assessments) as part of the Council's usual project management practices.

BACKGROUND DOCUMENTS:

Minutes of the five Informal Scrutiny Group meetings, available from the Economy and Arts Team

[Economic Strategy for the Winchester District, 2010 - 2020](#)

APPENDICES:

Appendix 1: Summary of Meetings

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Meeting 1 – Wednesday 12 January 2011

Expert witness: Chris Holloway, WinACC, The Case for a Low Carbon Economy – Setting the Scene

Meeting 2 – Wednesday 2 February 2011

Planning for low carbon businesses: Steve Opacic, Head of Strategic Planning, WCC

Expert witness: Derek Taylor, Kirton Farm Nurseries – a business's experience of the planning process for low carbon development

Expert witnesses: Mark Griffiths, BSc FRICS FAAV and Merrick Denton-Thompson, OBE CMLI - Energy security and the environment

Meeting 3 – Monday 14 February 2011

Expert witness: Trish Kernan, University of Winchester

Expert witness: Kathryn Rankin, Southern Entrepreneurs

Expert witness: Mike Rideout, Sparsholt College

Challenges for entrepreneurs, drawn from LEADER programme experience

Meeting 4 - Monday 7 March 2011

Barriers to sustainability:

- a) Stephen Duncan, Sustainable Business Partnership
- b) Richard Boothman, Winchester Action on Climate Change

Case Study - Denplan's commitment to carbon reduction: Lee Francis, Senior Business Analyst

Funding for low carbon initiatives: Alex Templeton from the [Farm Energy Project](#), and Richard Werner from the University of Southampton.

Meeting 5 - Thursday 24 March 2011

Broadband for Hampshire - Glenn Peacey, Programme Manager, eHampshire

Question and Answer session: Portfolio Holders for Economic Prosperity, Cllr Dominic Hiscock, and High Quality Environment, Cllr Eleanor Bell.