

FROM: Audit and Risk Manager **SUBJECT:** Energy Management

TO: Head of Housing and Property Services **DATE:** 18 December 2012
Energy Manager

C.C. Chief Executive
Head of Finance
Head of Environmental Services

1. INTRODUCTION

1.1. In accordance with the Audit Plan for 2012/13, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.

1.2. Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2. SCOPE AND OBJECTIVES OF AUDIT

2.1. The purpose of the audit examination was to report a level of assurance in respect of the structures and processes in place for ensuring economic, efficient and effective procurement and consumption of all forms of energy resources and compliance with relevant legislation.

2.2. The examination comprised an evidential risk-based appraisal of management systems in place covering the following areas as applicable:

- strategies and policies;
- roles and responsibilities;
- processes and procedures;
- improvement and development.

2.3. The findings are based on discussions with relevant staff and reference to documents and records as appropriate. The principal contact for the audit was Mark Perkins, Energy Manager. The status of recommendations from the previous audit was ascertained.

3. FINDINGS

3.1 General Background

3.1.1 In the year ended 31st March 12, the total Council's expenditure on energy and water usage was in the region of £1.2 million, practically the same figure as the estimate for the year ended 31st March 2009 quoted in the previous audit report.

3.1.2 The expenditure for 2011/12 is broken down as follows:

	<u>£000</u>
Electricity	665
Gas (Mains Supply)	252
Liquid Petroleum Gas (LPG)	74
Heating Oil	13
Biomass	2
Water – Metered	177
Water - Unmetered	<u>36</u>
	<u>1,219</u>

3.1.3 Biomass and LPG are currently used at Oakley Wood Crematorium only, although roll-out of biomass conversion has been envisaged for other corporate properties as well (a conversion scheme has been approved for Tannery Court). Under the Government's Renewable Heating Incentive (RHI) Scheme, grant funding is currently available towards the cost of conversion to biomass.

3.1.4 Heating oil is used only at the Kenilworth Public Service Centre, a legacy from acquisition of the premises in 2011.

3.1.5 While the day-to-day processes for managing energy resources remain essentially unchanged since the previous audit, the strategic framework on the umbrella issue of climate change has clearly moved forward in that time. Review of strategic management for climate change will be reviewed under a separate assignment.

3.2 Recommendations From Previous Audit

3.2.1 The current status on recommendations arising from the previous audit in 2008 is as follows:

Recommendation	Current Position
The Council's Energy Policy should be posted on the WDC website on the Strategies and Policies page. <i>(Low risk)</i>	The recommendation has ceased to be relevant as policy provisions applicable to energy matters are now subsumed into the Climate Change strategic framework.

Recommendation	Current Position
A page containing appropriate energy management reference material should be created on the WDC website. <i>(Low risk)</i>	As with the Energy Policy, published material is now subsumed into a wider ranging energy information resource classified into energy efficiency advice sources and climate change matters (both with links to external resources).
Training should be provided to appropriate staff in Property so that they are aware of Stark's capabilities, confident in its use and able to produce reports. <i>(Medium Risk)</i>	It was advised that use of the Stark system will be discontinued by the end of this financial year. A solution for bill processing and usage monitoring utilising the ActiveH housing and corporate property management application is being developed in-house.

3.3 Strategies and Policies

3.3.1 Management of energy resources can be said to have been driven since 2007 by the Climate Change Strategy, which cites the following key elements as part of its carbon reduction aims:

- investing in energy saving projects;
- encouraging development of renewable energy;
- managing council buildings to minimise negative environment impacts.

3.3.2 Recent developments impacting on energy management include the approval of a Low Carbon Action Plan (commissioned from external consultants) and a related Sustainability Delivery Plan. Of the three categories of delivery project provided for in these plans, two are of direct relevance:

- energy efficiency projects in buildings;
- use of low and zero carbon technologies for local generation.

3.3.3 The Energy Policy document referred to in the previous report is now deemed outdated and subsumed into the above Plans and a set of draft climate change principles drawn up by the Head of Environmental Services.

3.4 Roles and Responsibilities

3.4.1 The Head of Environmental Services is designated lead officer for strategic matters on climate change. Formation of a Climate Change Strategy Group was approved by Senior Management Team in December 2009, although its remit focused on Comprehensive Performance/Area Assessment issues and national indicators prevalent at the time.

3.4.2 While the CPA/CAA issues and national indicators no longer apply, climate change still has due prominence by virtue of its representation as a significant business risk for the Council. It is noted that an additional temporary specialist officer resource within Environmental Services has been approved to support the advancement of the strategic framework.

- 3.4.3 The operational side is handled by the Energy Team within Housing and Property Services. Responsibilities defined for the Team are fairly wide ranging and include:
- service and maintenance of relevant installations (performed both in-house and under contract)
 - control of heating, ventilation and lighting regimes in major Council premises and external area as applicable;
 - compliance with central government regulations on Display Energy Certificates for public buildings.
- 3.4.4 A temporary part-time staff resource is in place to process energy bills for payment and update the database system supporting usage monitoring.
- 3.5 Processes and Procedures
- 3.5.1 The processes of the strategic framework for climate change are not within the scope of this examination. The operational processes maintained by the Energy Team are essentially unchanged from the previous audit.
- 3.5.2 Day-to-day control of usage at major premises has for a number of years been supported by Building Energy Management System (BEMS) technology. Obviously the technology continually evolves and one notable feature implemented since the previous audit is alert transmission to mobile device.
- 3.5.3 The handling of bills and harnessing of information currently involve two separate processes:
- processing for payment via the purchase order and invoice payment modules of the Total financial management system;
 - entry of meter reading and charge data into a PC-based system called 'Stark'.
- 3.5.4 An analytical review confirmed that the bills are being paid promptly in accordance with the due dates with only a small number of exceptions. The Stark system been used for a number of years for usage and charge monitoring and reporting. Its drawbacks have traditionally included limited user knowledge and the need for an asset database separate from the prime asset records which required supplier intervention to update.
- 3.5.5 The inefficient use of staff resources arising from the disparate processes has been recognised. Plans are now in place to discontinue the Stark system in favour of an adaptation of existing modules built on the main corporate asset database in the ActiveH housing and corporate property management application. This is designed to enable single entry of energy bill data utilising existing financial code parameters and interfaces to effect payment and facilitating usage and charge monitoring through existing report generation tools.

3.5.6 The approach to energy procurement has changed since the last audit with Senior Management Team adopting in 2010 the option of sourcing through the Eastern Shires Purchasing Organisation (ESPO) frameworks for both gas and electricity supply. This was in response to an evaluation submitted by the Head of Housing and Property Services, supported by the Procurement Manager.

3.6 Improvement and Development

3.6.1 The Energy Manager confirmed that he monitors usage through Stark reporting on a monthly basis. In view of the forthcoming system changes, it was decided not to undertake an evidential assessment of this process.

3.6.2 From examination of the usual improvement and development sources (e.g. Service Plan, corporate project review data, etc.), the most prominent initiatives relevant to the scope of this examination are:

- conversion of corporate properties and dwellings to biomass (currently in progress);
- River Leam hydro scheme (anticipated to start in 2013);
- installation of photovoltaic panels (reported complete).

3.6.3 The scheme for conversion of dwellings to biomass (funded by RHI grant) is completed and the timetable for roll-out of biomass conversion in corporate properties has been put back on account of other developments including a stock condition survey and a review by Cultural Services on leisure provision.

3.6.4 The conversion scheme for Tannery Court is in the process of going out to tender at the time of this report.

3.6.5 In the light of the above, there was no significant potential seen for review of project governance in depth on any of the applicable schemes within the scope of this audit.

5 CONCLUSIONS

5.1 The audit was undertaken at a time of clear transition at both strategic and operational level, but with sufficient continuity in the control framework to secure economic, efficient and effective procurement and consumption of all forms of energy resources and compliance with relevant legislation.

5.2 In the light of the above, we are able to give SUBSTANTIAL assurance of effective controls in place to mitigate against of the applicable risks.

5.3 There are no recommendations arising.

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