

# **AUDIT AND GOVERNANCE COMMITTEE**

**Thursday 24 April 2014**

**COUNCILLORS PRESENT:** Councillors Fry (Chair), Darke, Rowley and Seamons.

**OFFICERS PRESENT:** Nigel Kennedy and Anna Winship (Finance) Jeremy Thomas (Law and Governance) Mathew Metcalfe (Democratic and Electoral Services) John Copley (Environmental Development) Alan Witty and Mick West (Ernst and Young) Christopher Dickens and Richard Bacon (Pricewaterhousecoopers)

## **47. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Tony Brett, David Rundle and Craig Simmons.

## **48. DECLARATIONS OF INTEREST**

None declared.

## **49. ENVIRONMENTAL SERVICES - CLIMATE CHANGE RISK MITIGATION**

John Copley, Head of Environmental Development attended the meeting following an invitation from the Committee to hear more on the work of the Council to mitigate the effects of climate change.

John Copley introduced the presentation and said that the Council had taken the decision to produce an Adaptation Strategy and to concentrate on the mitigation of the impacts of climate change on the Council, its buildings and the way it provided services.

## **50. EXTERNAL AUDIT PROGRESS REPORT 2013/14 - ERNST AND YOUNG**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young, which detailed the progress made in delivering the work set out in the 2013/14 audit plan.

Alan Witty from Ernst and Young introduced the report and thanked the Finance Officers for the regular meetings that he had with them which he found invaluable.

The Committee agreed to note the report.

**51. EXTERNAL AUDIT - OXFORD CITY COUNCIL GRANT CERTIFICATION FEE**

The Head of Finance submitted a letter (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young which detailed the Oxford City Council 2012/13 Housing and Council Tax Subsidy Benefit Certification Fee.

Alan Witty from Ernst and Young presented the letter to the Committee.

The Committee agreed to note the contents of the letter and the fee.

**52. EXTERNAL AUDIT - LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING - ERNST AND YOUNG**

The Head of Finance submitted a document (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young which provided a briefing on issues which might have an impact on the City Council.

The Committee agreed to note the document.

**53. INTERNAL AUDIT PROGRESS 2013/14 - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the progress made in delivering the work set out in the 2013/14 audit plan.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report. He said that there were no significant control weaknesses that required stating in the Annual Governance Statement. He highlighted the following:

- Budgetary control, risk management and performance – Audit report to be issued.
- Human Resources and Facilities including – Payroll including tax and NI compliance – One recommendation from the audit.
- Finance – Fixed Asset Register implementation – No issues arising.

The Committee agreed to note the report.

**54. INTERNAL AUDIT RISK ASSESSMENT AND PLAN FOR 2014/15 - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the Internal Audit Risk Assessment and Plan for 2014/15.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report and said that consultation on its contents had taken place with officer and that the Plan was flexible.

The Committee agreed to note the Internal Audit Risk Assessment and Plan for 2014/15.

#### **55. INTERNAL AUDIT CHARTER - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the Internal Audit Charter.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report.

The Committee agreed to note the report.

#### **56. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

The Head of Finance submitted a report (previously circulated, now appended) which detailed the progress made on the implementation of internal and external audit recommendations.

The Committee further updated as follows:

- Housing Benefit Claims – the check rate on these was being exceeded by 10%
- Business Continuity Plans – IA507 and IA508 – All Service Heads had been requested to amend their Business Continuity Plans to reflect the corporate priorities.
- Grants Monitoring – If groups in receipt of a grant did not supply the monitoring information required, they may not receive grant funding in the future. Officers continued to work with organisations on this to ensure that the information was supplied.

The Committee agreed:

- (a) To note the report;
- (b) To request that Officers review the timescales for the implementation of medium risk recommendations that had immediate actions to have a more realistic timeline especially for recommendations that required immediate action;
- (c) As part of the grants monitoring process to request that information is included detailing which groups/organisations were new bidders and which were not.

#### **57. MINUTES**

The Committee agreed to approve the minutes of the meeting held on 27<sup>th</sup> February 2014 subject to the inclusion of apologies for absence from Councillor Mike Rowley.

## **58. DATES AND TIMES OF MEETINGS**

The Committee agreed:

- (a) To note that it would meet in the Town Hall on the following dates at 6.00pm

Thursday 26<sup>th</sup> June 2014

Monday 22<sup>nd</sup> September 2014 – to be confirmed at the meeting on 26<sup>th</sup> June

Thursday 18<sup>th</sup> December 2014

Thursday 26<sup>th</sup> February 2015

Thursday 23<sup>rd</sup> April 2015

- (b) To consider further the date of its September 2014 meeting at its first meeting of the 2014/15 Council Year;
- (c) To note that prior to its meeting on 26<sup>th</sup> June 2014 at 5.00pm a training session would be held for Audit and Governance Committee members.

## **59. MATTERS EXEMPT FROM PUBLICATION**

No matters considered.

**The meeting started at 6.00 pm and ended at 7.15 pm**

# Energy and risk management

**John Copley**  
**Head of Environmental Development**

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# Energy and risk management

1. Risks
2. Carbon Management Plan
3. Salix and Salix plus
4. Energy management
5. Energy procurement
6. Energy generation
7. OxFutures/EU funded work
8. Forthcoming work

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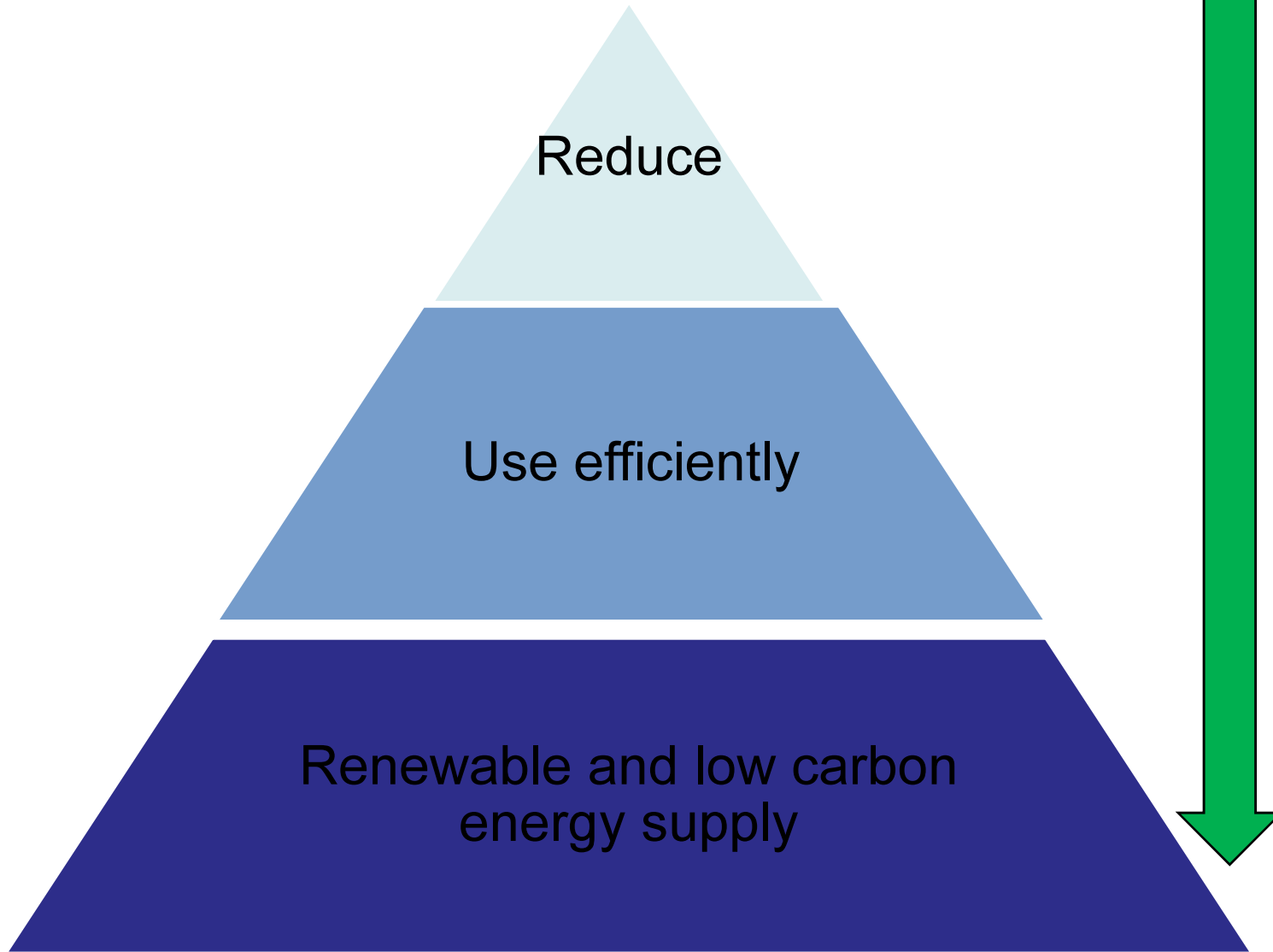
# Risks

- Security of energy supply
- Increasing energy costs
- Impact on services
- Impact on residents



Source: DECC

# Energy Hierarchy



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# Carbon Management Plan



*Carbon Reduction at the Heart of Everything we do*



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# Salix and Salix-plus

## SALIX:

- Interest free capital provided to the public sector to improve energy efficiency.
- Ring-fenced revolving loan fund for use on energy efficiency projects with a payback of up to 5 years (Revolving = energy bill savings repay initial loan)
- Successful OCC bid won in 2008 - 50% matched by Oxford City Council.
- Original total fund value of £405k with annual targets to find energy efficiency projects (ca £150k spend target each year).
- Invested ca. £700k to date since 2008. Avoided cost in annual energy bills estimated at £285k per year; equivalent to 1420tCO<sub>2</sub> per year reduced
- Based on original £205k OCC investment in 2008 – return is c. 139%/year



# Salix and Salix-plus

## SALIX-PLUS:

- Is a City Council owned in-house ring-fenced revolving fund covering a wider range of projects than Salix
- Ring-fenced revolving loan fund for use on projects with
  - a payback of longer than 5 years (Revolving = energy bill savings repay initial loan)
  - Projects not covered by SALIX such as renewable energy installations, water and fleet fuel reduction measures
- Salix-plus provides an additional £200k/year over the next three years.
- Salix and Salix-plus can be used where Oxford City Council pays the energy bill directly (or water in the case of Salix-plus).



# Energy Management



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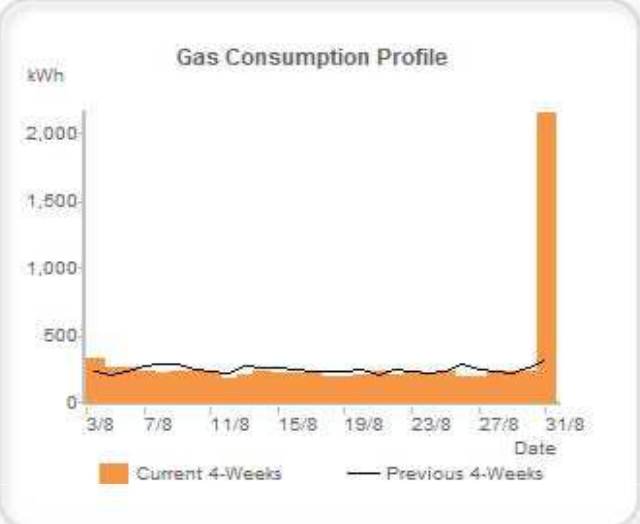
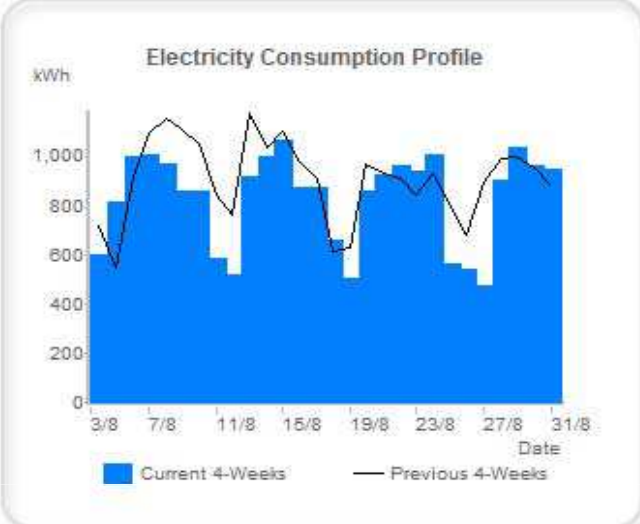
**Each year the Council spends...**

**c. £1,400,000 on gas and electricity**

**c. £800,000 on fuel for vehicles**

**c. £250,000 on water**

# We have installed Smart Meters in our main buildings to monitor gas and electricity usage on a half-hourly basis



4 Week Total - Current (kWh)	23,261
4 Week Total - Previous (kWh)	25,482
% Diff	-8.72
Daily Average (kWh)	831
MD (kW)	84.50

4 Week Total - Current (kWh)	8,357
4 Week Total - Previous (kWh)	7,076
% Diff	18.09
Daily Average (kWh)	298
Max 30 Minute Interval (kWh)	569.35

This means we can quickly see where energy is being wasted, and can act to do something about it

# Energy Procurement

- We currently purchase our energy through LASER (Local Authority South East Region) energy buying group (Kent County Council)
- The bulk of our energy is procured via Flexible purchase contracts which is widely regarded as a best practice approach now in volatile energy markets
- The risk of a higher energy contract price is mitigated because the price is based on the purchase of energy from the wholesale market over several months at times when the price is falling
- This is compared to the previous approach of fixed-term fixed price contracts where the energy price was based on how the market was performing on one day (high risk in current volatile market conditions)





# Energy Procurement

- Existing energy contracts expire 30 Sept 2016 so in early preparation for selection of new contracts (following due procurement process and final CEB approval)
- Currently reviewing and approaching other energy buying groups available on the market ahead of new contract - and assessing LASER performance
- Increasing number of buying groups in existence now offering flexible procurement options compared to previous years
- LASER has performed well however and returned prices consistently below average market prices (e.g. electricity price 4.4% lower and gas price 2.7% lower during 2009 to 2013)

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# Energy Procurement

- We currently processes about 4000 energy and water related invoices per year. (OGC estimates cost of £28 to process each individual invoice)
- All energy supplies are now being brought on to group contracts towards a move to centralised validation and processing
- All Energy /water bills are now in the process of being moved to an in-house bill validation system using an in-house operated energy bureau system (Sigma)
- Currently in the process of moving to group electronic billing of energy/water invoices
- Benefits include reduced bill processing effort by Council staff, improved controls, data quality, monitoring and energy budgeting/forecasting

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# Energy Generation

- First large Solar PV systems installed on 5 large sites in March 2012 (ca 150kWp)
- Domestic PV pilot (ca 20kWp) on 5 housing units in OCC housing stock in March 2014
- Feed-in-Tariff (FIT) and Renewable Heat Incentive (RHI) is an income for the council (better returns than alternative financial investments)
- We currently generate only a small percentage of our own energy through existing renewable energy installations (<1%)
- There is significant potential to increase Council on-site energy generation building on the work to date







**We installed solar panels on two leisure centres and three sheltered housing sites to generate our own green electricity. These reduce our electricity bills and also generate extra income through the feed-in tariff scheme**



# Energy Generation

## Coming up:

- Blackbird Leys Competition pool: Solar PV (120kWp), 195kW biomass wood chip boiler (with aspiration to use our own parks arisings as fuel);
- Rose Hill Community Centre Solar PV (30 to 40kWp)
- Identify and implement other FIT/RHI opportunities across estate (Salix-plus funding) whilst FIT/RHI rates are good
- Solar PV, Solar Thermal, Biomass, Heat pumps
- Recently won Heat Network Distribution Unit funding (Part of DECC). OCC working with the Building Research Establishment (BRE) to investigate local opportunities for district heat networks



# OxFutures

- **European funded programme aimed at mobilising local energy investment**
- **Joint programme between the City and County Council**
- **June is the mid point of the 3 year programme**
- **Partnership with the Low Carbon Hub who are delivering:**
  - Community led schemes such as Osney Lock Hydro, Abingdon + Goring Hydro, Sandford Hydro plus a range of solar schemes throughout the county
  - Hub led schemes such as Oxford Bus Company solar PV array
  - Solar Schools programme throughout the County
  - Warming Barton project
- **Pipeline has a total value of nearly £30m – beyond the initial project target of £25m**



# Forthcoming Work

## Energy Management Plan for the Council

- Bring us into line with EU procurement rules which demand lifecycle costing for public sector capital projects
- Develop an approach to understand the energy costs for new buildings over their life
- Set out our approach to energy management and Salix/Salix-plus funding
- Set out our approach to procuring energy in line with members expectations to avoid Tar Sands and ‘fracked’ sources of gas.
- Link and embed Energy Management plan with Carbon management plan.
- Ensure we continue to mitigate on risks on energy cost and supply



**ANY QUESTIONS?**

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# For further information

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