

LONDON BOROUGH OF CROYDON

REPORT:	Audit and Governance Committee	
DATE OF DECISION	19 September 2024	
REPORT TITLE:	2018/19 Energy Recharges Recommendation Progress Report	
CORPORATE DIRECTOR / DIRECTOR:	Jane West, Corporate Director of Resources and S151 Officer	
LEAD OFFICER:	Huw Rhys-Lewis, Director of Commercial Investment & Capital Huw.Rhys-Lewis@croydon.gov.uk	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION? [Insert Ref. Number if a Key Decision]	No	REASON: N/A
CONTAINS EXEMPT INFORMATION?	No	Public
WARDS AFFECTED:	N/A	

1. SUMMARY OF REPORT

1.1. This report gives an update on the response to the recommendations in the 2018/19 Energy Recharges Internal Audit Report carried out by Mazars in June 2019.

2. RECOMMENDATION

2.1. The Audit and Governance Committee is asked to:

2.2. Note the actions taken to date to address the recommendations of the 2018/19 Energy Recharges Internal Audit Report carried out by Mazars in June 2019

2.3. Following the good progress that has been made on recommendations in both the audit report and previous reports to this committee, it is recommended that this be the final progress report.

3. REASONS FOR RECOMMENDATION

- 3.1. Officers have been asked to provide an update on the recommendations of the 2018/19 Energy Recharges Internal Audit Report carried out by Mazars in June 2019.
- 3.2. Given the progress that has been made in this area and the age of the original report, officers believe it would be appropriate for this to be the final progress report.

4. BACKGROUND

- 4.1. As part of the agreed internal audit plan for 2018/19, an audit was carried out by Mazars in June 2019.
- 4.2. The overall internal audit objective was to provide an independent opinion on the adequacy and effectiveness of controls/processes around energy recharges.
- 4.3. The audit for each control/process being considered provided:
 - A walkthrough of the processes considered to be key controls,
 - Sample testing of the identified key controls, and
 - Reported on those accordingly.
- 4.4. The audit included the following areas:
 - Organisational, Management and Legislative Requirements
 - Receipt of Monthly Energy Bills
 - Energy Meter Readings
 - Recharges
 - Budgetary Control
 - Management Reporting
- 4.5. The final audit report concluded that there was “No Assurance” at the time, with seven recommendations for improvement including two Priority 1 issues and five Priority 2.

5. RESPONSE TO THE AUDIT REPORT

- 5.1. As reported in the previous progress report 19 July 2023, a joint exercise in the Resources Directorate by the Investments and Assets department and the Finance Team commenced in 2023-24 to address the issues in the above report.
- 5.2. Various initiatives have taken place to improve the position and address the recommendations, including:
 - 5.2.1. From April 2019 the majority of schools opted to participate in new energy supply contracts that enabled them to be billed directly.
 - 5.2.2. All schools have now been transferred from the Council's utility accounts including for water. The only exception is where the council is obliged to procure utilities via PFI agreements. This only applies to one academy school (Shirley Oasis).
 - 5.2.3. The operating model of the internal Energy Team has been redesigned. The processing and validation of all utility invoices has been outsourced to a bureau service. The provider is responsible for checking all utility billing and uploading them to a web-based database. They are also responsible for resolving billing errors with suppliers. The reduced internal team focuses on improving reporting, analysis and making recommendations for consumption reduction.
 - 5.2.4. A dedicated officer has been employed short-term in Finance since March 2023 to review and recover, where appropriate, the outstanding schools' utility debts from 2016-17 to 2019-20. The cost of this agency role has already been successfully funded through previously written off debt being recovered.
 - 5.2.5. Processes for closing the accounts for 2023-24 were more streamlined with both Teams working closely to close as quickly and as accurately as possible. Improvements will continue to be made to improve closing accounts for 2024-25 and onwards.
 - 5.2.6. Improvements in relation to recharging have led to more accurate forecasting and improved information to departments. Officers are continuing to challenge and improve processes to increase the quality and the timeliness of recharging.

6. FINANCE IMPLICATIONS

- 6.1. Improvements in energy recharges, including more accurate billing and improved debt collection, are reducing costs, increasing income and reducing debt.
- 6.2. In 2023-24, the dedicated officer in finance recovered £1.268m (net) of non-water utility debt previously billed to schools and not recovered. This figure had already been written off by a 100% bad debt provision. For 2024-25 another £0.8m predicted recovery is already built into the Resources Directorate forecast outturn.
- 6.3. In addition, there is an expectation of recovery of £0.866m of water charges yet to be billed to schools. Invoices will be raised by the end of the year.
- 6.4. The income figures quoted in 6.1 and 6.2 above are net of the cost of the interim short-term officer in the finance team. These savings, totalling £3.069m over two years, although mostly one-off, have had a significant impact on the Council's financial position.
- 6.5. At the beginning of the exercise, the Council had made 100% bad debt provision of £5.3m for unpaid invoices issued to schools for their utility usage, excluding water and another £1.5m of unbilled debt. The reason for non-payment generally related to invoices issued being inaccurate due to discrepancies with historic payments and usage figures. The debt recovered has enabled the Council to reduce the bad debt provision and correct the Councils' debt system going forward.
- 6.6. Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance. (03/09/2024)

7. LEGAL IMPLICATIONS

- 7.1. There are no direct legal implications arising from the contents of the recommendations in this report
- 7.2. Comments approved by Kiri Bailey Head of Commercial, Housing and Litigation and Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer. (09/09/2024)

8. HUMAN RESOURCES IMPLICATIONS

- 8.1. There are no immediate Human Resources implications arising from the content of this report.
- 8.2. Comments approved by Gillian Bevan, Head of HR Business Partnering on behalf of the Chief People Officer (03/09/2024)

9. EQUALITIES IMPLICATIONS

- 9.1. There are no direct equality considerations arising from this report. However, as a Public Sector Authority we will be required to promote the Public Sector Equality Duties (PSED) as detailed below.
- 9.2. Eliminate unlawful discrimination, harassment and victimisation.
- 9.3. Advance equality of opportunity between people who share a protected characteristic and those who do not.
- 9.4. Foster or encourage good relations between people who share a protected characteristic and those who do not.
- 9.5. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.
- 9.6. This report is exempt from an EQIA as it does not affect service delivery and is not a key decision item.
- 9.7. Comments approved by Helen Reeves, Head of Strategy & Policy.
(03/09/2024)

10. APPENDICES

- 10.1. None

11. BACKGROUND DOCUMENTS

- 11.1. None