

INTERNAL AUDIT PROGRESS REPORT

SOUTH KESTIVEN DISTRICT COUNCIL

September 2024

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SUMMARY OF SEPTEMBER 2024 WORK

INTERNAL AUDIT

This report is intended to inform the Governance and Audit Committee of progress made against the September 2024 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are based on us giving either 'substantial', 'moderate', 'limited' or 'no'. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

SEPTEMBER 2024 INTERNAL AUDIT PLAN

We have made good progress in the delivery of the September 2024 audit plan.

We have completed and are pleased to present the following reports to this Governance and Audit Committee meeting:

- ▶ Staffing Capacity and Capability
- ▶ Social Housing Decarbonisation Fund
- ▶ Independent Grant Assurance - we have undertaken a third-party assurance assignment and provided reasonable assurance for the Council's Spending (Expenditure) Summary under the Transition Fund (Reference: IPTF-00591771(Lottery)) for 1 April 2023 to 5 July 2024. This is a grant administered by the Arts Council England.

Planning is underway in respect of the following audits:

- ▶ Homelessness
- ▶ Income Generation
- ▶ Business Continuity and Disaster Recovery.

We anticipate presenting these reports at the next Governance and Audit Committee meeting.

REVIEW OF SEPTEMBER 2024 WORK

AUDIT	EXEC LEAD	GOVERNANCE AND AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Staffing Capacity and Capability	Fran Beckitt	24 September 2024	✓	✓	✓	M	S
Social Housing Decarbonisation Fund	Alison Hall-Wright	24 September 2024	✓	✓	✓	M	M
Art Council Grant Review (3 rd party assurance)	Richard Wyles	24 September 2024	✓	✓	✓	N/A	
Homelessness	Alison Hall-Wright	27 November 2024	✓	✓			
Income Generation	Paul Sutton	27 November 2024	✓	✓			
Business Continuity and Disaster Recovery	Alison Hall-Wright	27 November 2024	✓				
Council Tax and NNDR	Richard Wyles	22 January 2025	✓				
Main Financial Systems	Paul Sutton	19 March 2025	✓				
Data Protection and FOI, EIR and SAR	Graham Watts	19 March 2025	✓				

STAFFING CAPACITY AND CAPABILITY

SRR REFERENCE: UNABLE TO MAINTAIN AND BUILD SUFFICIENT STAFFING CAPACITY AND CAPABILITY

Design Opinion	M Moderate	Design Effectiveness	S Substantial
Recommendations	0	0	3



SCOPE

BACKGROUND

- ▶ Staffing capacity and capability requires having the right number of employees to meet operational needs, including effective workforce planning, recruitment and retention strategies and the right skills, knowledge and competencies required to perform the roles effectively to meet strategic organisational objectives. This includes assessing skill frameworks, training programmes, performance management systems and leadership development initiatives.
- ▶ Effective workforce planning is key to ensuring the right number of people with the right skills, are in the right place at the right time to deliver short and long-term organisational objective. It also forecasts the future workforce needs to ensure organisations will continue to thrive with a talented and competent workforce.
- ▶ South Kesteven District Council (the Council) recognises the importance of maintaining a skilled, diverse, and engaged workforce to effectively serve its community. It has c570 staff across its service areas, with a significant portion of this staff in older age brackets (above 40 years). To maintain service delivery to residents, it is critical the Council has effective workforce and succession planning arrangements to ensure the continuity of essential functions, retain critical knowledge and skills, and maintain a stable and competent workforce.
- ▶ The Council's 2022-2025 People Strategy approved by the Employment Committee in 2022, focuses on six key areas: Recruitment/Workforce Planning; Reward and Recognition; Engagement, Equality, Diversity and Inclusion; Development; and Wellbeing. These key focus areas are centred around attracting and retaining the right people, developing high-performing individuals and strengthening staff engagement to create an inspired workforce. As a key component towards driving high performance, the strategy aims to create a flexible, innovative organisation that has the right skills, resilience and motivation to deliver and achieve the Council's objectives.

PURPOSE

- ▶ The purpose of the audit is to analyse the Council's workforce planning and succession planning arrangements, and how strategically positioned it is to attract the younger generation towards driving continuity of process and ascertain whether there are appropriate controls in place to support identification of critical and senior roles, strategy development, staff networks and changing organisational needs.

AREAS REVIEWED

As part of the scope of this audit the following areas were reviewed:

- ▶ The Council's workforce and succession plans, to assess alignment with the People Strategy and clarity of staff development opportunities
- ▶ Existing strategies for engaging younger demographics, including apprenticeships and graduate programmes

- ▶ Identification of senior and business-critical roles, and development of succession plans for these positions and whether external recruitment was being considered as an alternative option
- ▶ The performance appraisal process and its link to development opportunities and whether high-performing or talented staff are identified through the appraisal process
- ▶ Whether leadership training programs are being provided to current and potential leaders to carry out their roles, to promote retention and career progression within the Council
- ▶ The existence and effectiveness of employee resource groups or support networks within the Council
- ▶ The Council's Equality, Diversity and Inclusion (EDI) Strategy to determine if it adequately outlines the intentions of the organisation, and if these intentions have been implemented
- ▶ Evidence of documented career progression pathways and how these are communicated to employees and analysed exit interview data to identify whether exit trends relate to career growth factors; we sampled five exit interviews to assess if there were key themes identified for leaving the Council
- ▶ Whether skills base reviews have been conducted within service areas to identify potential skill gaps and if training has been implemented to correct these areas where they exist.



AREAS OF STRENGTH

We have identified the following areas of good practice:

- ▶ A workforce plan is in place at the Council which was developed in April 2024. It provides a road map on how the Council plans to develop staff experience, staff capability, build leadership capacity, and a fit to deliver culture while ensuring the staff are ready for the future needs of the Council. Staff development activities included budgeted training plans for identified staff with training needs informed through the appraisal process; planned and current apprenticeship training programmes; lists of available training courses offered through the Council's learning management system (LMS); development initiatives ie Line Manager mentoring programmes; 'Take your colleague to work day', available where required; bitesize courses provided internally on topics such as project management, climate change and Finance and Budget for managers. These are monitored quarterly to ensure they have been completed by staff, and effectively planned by the People Team.
- ▶ The Council maintains a detailed tracker for appraisals. This documents all staff appraisals which have been received, the service areas they are from, and the learning and development needs which have been identified and agreed for each appraised staff.
- ▶ There is a guidance document in place on how appraisals should be completed. Although this is aimed at the appraisee, there are training slides available for line managers to guide them through the process. A workshop was organised in March 2024 to educate line managers on the appraisal management process.
- ▶ The Council has published its annual equality position statement, which was reviewed and approved by the Employment Committee and Corporate Management Team respectively. It has set and published its four-year equality objective and has an up-to-date equality policy in as required by the Public Sector Equality Duty, set by law as part of the Equality Act 2010. The policy is comprehensive, covering multiple aspects of EDI, including workforce development, community engagement, and service delivery. It sets clear objectives and outlines specific actions to achieve these goals, such as introduction of the new Equality Impact Assessment (EIA) process requiring consultation and review of impact of processes, projects and policies on protected characteristics, implementing EDI Allies across service areas. There is

ongoing EDI training for the Senior Leadership Team, with sessions covering topics such as the importance of EDI in the workplace, current EDI practices and plans.

- ▶ The Council maintains a comprehensive career development policy, which provides clear development opportunities for staff at all levels, from entry-level apprentice to experienced professionals. It includes career grades, pathways, apprenticeships, and a graduate scheme. The policy outlines clear strategies for talent attraction and growth, emphasising continuous learning and talent management. This is demonstrated in the detailed career progression plan for Environmental Health Officers, which provides a structured framework for advancement, linking experience, qualifications, and skills to specific salary grades (SK13-SK16). The career development initiatives demonstrate the Council's commitment to 'growing their own' talent.
- ▶ The Council holds monthly business partnership meetings where evaluation of the learning and development progress made in each area is discussed. There is a detailed analysis of learning and development efforts of staff in the service areas, including a review of the qualifications members of the team are working towards and relevant bitesize training applicable for staff in the service area, to address skills gap and improve employee engagement. There is also a Senior Team Training Needs Analysis completed by the Council in July 2024, demonstrating a structured approach to leadership development, where competences across crucial areas such as emotional intelligence, HR processes and operational skills were assessed.
- ▶ There is a work placement scheme in which pupils at local schools can reach out to the Council to undertake work experience. The Council maintains a tracker to monitor when the placement is taking place and the area in which the individual wishes to undertake their placement. There is a clear induction PowerPoint in place which outlines key information about the Council and the intended service area of placement.
- ▶ The Council has developed the line manager and senior managers forums to help support managers, identify development opportunities and encourage shared learning experiences, and how to deal with and have difficult conversations.

The following development opportunities and training have been provided for managers and senior managers:

- Project Management Bitesize Sessions
- Presentation skills workshop
- Decision making bitesize workshops
- Recruitment and interviewing skills for managers
- MBA Leadership Level 7 personal development for a Senior Manager aspiring to progress to Director
- Director Course for an Assistant Director as part of succession plan deployment to create 'ready' Directors.



AREAS OF CONCERN

Finding	Recommendation and Management Response
There were three lows, which covered the areas of feeling in gaps for successors, emergency cover, and development needs, enhancing the degree apprenticeship programme as a recruitment pathway as well as staff networks and forums not having documented terms of reference.	<p>Management has provided reasonable responses and has committed to show progress on improving these areas by 31 March 2025</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Fran Beckitt - Head of Service, Human Resources and Organisational Development</p> <p>31 March 2025</p>



CONCLUSION

We provide Moderate assurance over the design of controls and Substantial assurance over the effectiveness of controls relating to the Council's staffing capacity and capability arrangements.

Control Design:

- ▶ The Council generally has a sound system of controls designed to achieve its workforce planning and development objectives, although there are some exceptions.
- ▶ There was evidence of good practice in the workforce plan being aligned with the 2022-2025 People Strategy, focusing on key areas such as recruitment, development and engagement, and a detailed career development policy providing clear progression pathways for staff at all levels.
- ▶ However, the opinion is principally driven by the following low findings:
 - The Succession Plan while in place, has some gaps of information which should be completed and updated.
 - Staff networks and forums lacking sufficient governance arrangements, such as formal terms of reference, potentially limiting their effectiveness.

Control effectiveness:

- ▶ Significant good practices were identified in several areas, including:
 - Regular business partnership meetings to evaluate learning and development progress
 - Implementation of line manager and senior manager forums for shared learning and development
 - Detailed Senior Team Training Needs Analysis demonstrating a structured approach to leadership development.

SOCIAL HOUSING DECARBONISATION FUND

SRR REFERENCE: SUPPORTING COMMUNITIES

Design Opinion	M	Moderate	Design Effectiveness	M	Moderate
Recommendations	0	7	0		



SCOPE

BACKGROUND

- ▶ The Social Housing Decarbonisation Fund (SHDF) is a UK government initiative aimed at improving the energy performance of social housing in England. The SHDF aims to upgrade a significant portion of social housing stock currently below Energy Performance Certificate (EPC) Band C up to that standard. It supports the installation of energy performance measures in social homes and facilitates the adoption of decarbonised heating systems. The SHDF aims to:
 - Deliver warm, energy-efficient homes
 - Reduce carbon emissions
 - Tackle fuel poverty
 - Support green jobs
 - Develop the retrofit sector
 - Improve the comfort and well-being of social housing tenants.
- ▶ Since 2019, the government have committed £3.8 billion to be invested over a 10-year period to improve the energy performance of social rented homes. This forms part of the wider net zero ambitions by 2050.
- ▶ There have been various waves of funding (Wave 1, Wave 2.1, Wave 2.2 and Wave 3) made available to support projects across England. The SHDF primarily targets local authorities, housing associations, and large residential landlords with aging property portfolios.
- ▶ South Kesteven District Council (The Council) is the largest local authority housing provider in the East Midlands, with a residential housing stock of approximately 6,000 properties.
- ▶ The Council was awarded £7.26m (with 50% co-funding) in April 2023 in Wave 2.1 of the Social Housing Decarbonisation Fund (SHDF), announced by the then Department for Business, Energy and Industrial Strategy (BEIS¹).
- ▶ The Council has identified 367 properties within its housing stock with EPC rating of Band D-G that are eligible for the SHDF.
- ▶ The Council, in partnership with E.ON Energy Ltd (E.ON), is delivering the home modifications in three phases:

¹BEIS split into three departments in 2023 but administered the SHDF. These departments are now: Department for Business and Trade (DBT), the Department for Energy Security and Net Zero (DESNZ) and the Department for Science, Innovation and Technology (DSIT). Any references to BEIS in this document are now superseded by these departments.

- Phase 1- Solar PV installation
- Phase 2 - Air Source Heat Pumps (ASHP) installations
- Phase 3 - External Wall Installations (EWI).

PURPOSE

- ▶ The purpose of the audit was to determine whether appropriate controls are in place to manage the use of the £7.26m SHDF funding that has been allocated to upgrade the planned 367 social housing properties and whether energy efficiency targets for these properties have been met.
- ▶ For clarity, this report is to provide the Council with assurance over the adequacy of the controls in place and is not designed to provide assurance to any other parties that the grant was used in line with any grant agreement or to detect fraud.

AREAS REVIEWED

- ▶ As part of the scope of this audit, the following areas were reviewed:
- ▶ The project plan to assess it was robust and aligned to the SHDF Wave 2.1 objectives
- ▶ The monitoring and oversight processes throughout the entire project to assess whether there was adequate governance of projects by accountable officers
- ▶ Monthly Delivery Confidence Assessment (DCA) project meeting reports between the Project team and the BEIS's appointed consultant (Turner and Townsend) between November 2023 and June 2024 to assess whether information was clearly reported to external stakeholders on the project's progress
- ▶ The contract with E.ON for the delivery of the SHDF Wave 2.1 project to assess whether it complied with SHDF guidance and clearly stated the roles and responsibilities of the Council and E.ON
- ▶ Financial management and oversight of contractor payments, including invoices paid, valuation reports and monthly progress reports to DESNZ to ascertain the forecasted and actual spend reporting and assurances over the financial controls in place
- ▶ Minutes of weekly meetings between E.ON and the Council between November 2023 and June 2024 to assess whether the project was appropriately scrutinised with the contractors, with sufficient monitoring of actions agreed and issues identified
- ▶ A sample of 10 properties in receipt of funding for Phase 1 Solar PV upgrades to ascertain whether these were inspected to ensure that the upgrade works met the required standards, with sufficient quality control documentation retained, before the payment was made to the contractor
- ▶ Six-monthly reports presented to the Housing Overview and Scrutiny Committee to assess the accuracy and quality of information provided to members
- ▶ Arrangements for identifying and sharing lessons learnt to inform the grant management controls for Wave 3 funding.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ There was a robust procurement process for the appointment of E.ON as the principal contractor for the project. E.ON were directly awarded the contract using the Fusion21 Decarbonisation Framework, providing assurance over its credentials and experience to complete the works.
- ▶ The roles and responsibilities of the Council and E.ON were clearly defined in the contract. This established terms for the installations, inspections and performance monitoring arrangements for Wave 2.1.
- ▶ There was monthly reporting to BEIS's consultant (Turner and Townsend) through the DCA meetings, supporting effective stakeholder management and demonstrating the Council's commitment to transparency over the use of the grant funding.
- ▶ The Council, in partnership with E.ON, used digital tools such as Greenlake to analyse its housing stock and obtain the energy ratings of each property. It also engaged InfraRed Technologies (IRT) Surveys Ltd to use their DREam platform for quantified

energy modelling, demonstrating a data-driven approach to effectively identify and prioritise properties below EPC band C for the SHDF Wave 2.1 funding. This approach is aligned with the objectives of the grant funding scheme.

- ▶ The project plan was comprehensive, covering key stages from project inception to completion with defined milestones and expected timelines, although there were delays in the commencement of the project (see Finding 1)
- ▶ Six-monthly reporting to the Housing Overview and Scrutiny Committee provided a clear overview of the project's progress and identified challenges and mitigation plans for issues arising. The reporting frequency was aligned to SHDF guidance for regular oversight.



AREAS OF CONCERN

Finding	Recommendation, Management Response, Responsible Officer and Implementation date
<p>Due to gaps in skills and capacity within the existing team, there was a seven-month delay in the start of the Wave 2.1 project while the Council recruited a project manager (Finding 1 - Medium).</p>	<p>1a. The Director of Housing should prepare a business case ahead of the application for Wave 3 funding to cover the following areas:</p> <ul style="list-style-type: none"> • Resources and staff capacity to manage and deliver the project • Skills assessment of existing staff to manage and deliver the project. <p>Once Wave 2.1 has been completed, the Council may also wish to conduct a post-project review of lessons learnt to prevent similar incidents arising for future funding applications.</p> <p>1b. Where projects are delayed, this should be reported to the relevant committees or groups within the governance and oversight structures, with explanations for the reasons for delays.</p> <p><u>Management Response</u></p> <p>1a. The Management already have a team in place to both support the delivery of wave 3. A working group has been formed to support the development of the bid. The established team who are delivering wave 2.1 are currently-</p> <ul style="list-style-type: none"> • Reviewing delivery capacity • Stock analysis • Further training requirements within team • Consideration to internal RLO/TLO within team • Lessons learned to be logged monthly <p>1b. Delays were communicated at committee meeting, problems/delays and reasonings will be included in future updates on SHDF report.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Alison Hall-Wright -Director of Housing Mark Rogers - Head of Service, Housing Technical Service Peter Park- Decarbonisation Project Manager Immediately</p>

	<p>We identified instances where properties had been upgraded beyond EPC Band C which requires contributions from the Council. There were other instances where documentation had not been retained to demonstrate the completion of the work (Finding 2 - Medium).</p>	<p>2a. The Council should engage with E.ON to review the upgrade strategy for properties achieving above EPC Band C to ensure cost-effectiveness and alignment with project goals to ensure all identified properties within Council stock with EPC Band D to G, are upgraded</p> <p>2b. The Council should review all upgraded properties to identify how many have been improved beyond EPC Band C and perform a cost analysis to quantify the additional expenses incurred due to over-improvements which will need to be covered by Council</p> <p>2c. If the Council has claimed the full funding for properties that have been upgraded beyond EPC Band C it should inform the DESNZ of this and agree further steps, ie repayment of contributions</p> <p>2d. The Decarbonisation Project Manager should review the completed retrofit works to verify data accuracy, identify and update missing documentation as well as cross check all EPC certificates on file against online record to rectify any discrepancies.</p> <p><u>Management Response</u></p> <p>2a. Modelling is completed prior to applying the measures, once the medium-term plan has been reviewed. Solar PV scores highly on the current rdSAP, however is only a single measure.</p> <p>2b. As agreed with DESNZ/BEIS, if a single measure results in a property exceeding a EPC of C, providing this is only through match funding of a single measure and value for money can be evidenced, the property will still be eligible.</p> <p>2c. This has been communicated with the department and discussed with the assigned SPOC at the monthly reviews with Turnor & Townsend as part of the DCA.</p> <p>2d. The data is reviewed pre and post completion and numerous discrepancies have been highlighted, we have a DEA within the team who reviews each EPC lodged.</p> <p><u>Responsible Officer and Implementation date</u> Peter Park- Decarbonisation Project Manager Immediately</p>
	<p>Based on the narrative on the June 2024 invoice from E.ON, it appears that an invoice was raised for Phase 2 installations despite the DCA Report stating that this work had been delayed and was subject to an underspend (Finding 3 - Medium).</p>	<p>3a. The Decarbonisation Project Manager should investigate the June 2024 invoice discrepancy highlighted in the finding to obtain assurance over the accuracy of the financial reporting in the DCA Report</p> <p>3b. The Decarbonisation Project Manager should amend the Valuations Sheet to cross-reference each installation to the invoice reference.</p> <p><u>Management Response</u></p>

		<p>3a. Valuation and invoice sent evidencing spend in response, the DCA reporting shows committed spend, not actual spend.</p> <p>3b. Process has been put in place to review valuations with QS on a monthly basis and to be reviewed with technical services monthly monitoring.</p> <p><u>Responsible Officer and Implementation date</u> Peter Park- Decarbonisation Project Manager Immediately</p>
	<p>Key performance indicators (KPIs) have not been identified with E.ON to report and monitor at the weekly contractor meetings. Additionally, actions agreed with E.ON were not given due dates or action owners (Finding 4 - Medium).</p>	<p>4a. The Decarbonisation Project manager should establish a set of clear KPIs similar to the DCA project monitoring report to monitor project milestones and deadlines, and ensure these are reviewed and updated at meetings, for tracking overall project progress and identifying potential issues early</p> <p>4b. The Decarbonisation Project manager should implement standardised action log showing the agreed actions, owners, due dates, and status. This log should be reviewed and updated at each meeting to ensure accountability and timely completion of tasks.</p> <p><u>Management Response</u></p> <p>4a. Extensive KPI's are reported monthly to the DESNZ as part of the funding requirement. The Head of Technical Services has now implemented internal KPI's for SKDC monitoring.</p> <p>4b. As recommended action logs are now taken at weekly meetings to ensure dates are set and persons responsible are held to account to enable effective project management.</p> <p><u>Responsible Officer and Implementation date</u> Mark Rogers - Head of Service, Housing Technical Service Peter Park- Decarbonisation Project Manager Immediately</p>
	<p>Inspection certificates were not retained for any of the ten Phase 1 upgrades that we reviewed and we were unable to trace each installation to the invoice from E.ON, thereby confirming that the contractor was not paid prior to the inspection of the works (Finding 5 - Medium).</p>	<p>5a. The inspection certificate should be saved in the project folder once the Retrofit Assessor has completed their inspection of the property</p> <p>5b. The Decarbonisation Project Manager should retain an audit trail to show which invoice each installation relates to so they can obtain assurance that the invoice was not paid until the works have been inspected. In accordance with Recommendation 3B, this could be recorded on the Valuations Sheet.</p> <p><u>Management Response</u></p> <p>5a. Extensive QC checks have been undertaken by SKDC to ensure quality and photographic schedule. Record of date and action log will be kept going forward,</p>

		<p>as email communications are not sufficient</p> <p>5b. An audit trail will be retained to evidence that works have been completed prior to invoices being paid.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Peter Park- Decarbonisation Project Manager</p> <p>Immediately</p>
	<p>The Council have not developed a formal tenant engagement strategy, as required by the SHDF Wave 2.1 guidance. Furthermore, despite it being part of its funding application, a Tenant Liaison Officer has not been appointed to manage engagement and communication with tenants (Finding 6 - Medium).</p>	<p>6a. The Decarbonisation Project Manager should collaborate with E.ON to create a formal tenant engagement strategy, aligned to the requirements of the SHDF Wave 2.1 guidance. Once developed, this should be reviewed and approved in accordance with the Council's internal governance arrangements</p> <p>6b. Within its tenant engagement strategy, the Council should establish the complaints process for tenants to use to raise concerns or complaints, with defined resolution timelines. It should also be clear as to who complaints should be raised to</p> <p>6c. Future correspondence with tenants should be from either the Council or E.ON to prevent any confusion from tenants</p> <p>6d. The Council should assess whether a TLO should be recruited with the primary role of liaising with tenants to obtain any feedback on the works and manage any issues.</p> <p><u>Management Response</u></p> <p>6a. EON handle all resident engagement currently, with communications agreed by the Project Manager. Given this is a delivery partnership, both have a responsibility. An RLO/TLO will need to be considered for the next round of funding.</p> <p>6b. Complaints process in place, and escalation process that residents can access. Generally, complaints are made to EON in the first instance, then referred to SKDC if not resolved.</p> <p>6c. It was agreed any comms from EON should have the SKDC logo, to show they are working on behalf of SKDC. This to be addressed when reviewing the resident engagement strategy.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Mark Rogers - Head of Service, Housing Technical Service</p> <p>Peter Park- Decarbonisation Project Manager</p> <p>30 September 2024</p>
	<p>Lessons learnt throughout the project were not documented and shared, although, actions were discussed regularly at contractor meetings (Finding 7 - Medium).</p>	<p>7a. In accordance with the SDHF guidance, the Decarbonisation Project Manager should implement a robust process identifying and documenting lessons learnt throughout the project lifecycle.</p>

	<p>This may include some of the areas we have identified in this finding.</p> <p>7b. The Decarbonisation Project Manager should assess whether they can incorporate relevant quantitative data into the lessons learnt exercise for areas such as:</p> <ul style="list-style-type: none"> • Cost savings or additional costs incurred • Time saved or delays experienced • Disparity in energy efficiency improvements achieved (e.g., changes in EPC ratings post upgrade) • Tenant satisfaction metrics per phase to establish what phase presented the most challenge. <p><u>Management Response</u></p> <p>7a. Lessons learnt frequency to be established between the Contract Manager and Head of Technical Services, proposed this is completed either monthly or quarterly.</p> <p>7b. KPI's and tenant satisfaction to be addressed as previously stated in responses.</p> <p>7c. Response to retentions in final point reduces any financial risk and administration by returning annually. Email confirmation between EON and SKDC, contractual amounts unchanged.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Mark Rogers - Head of Service, Housing Technical Service</p> <p>Peter Park- Decarbonisation Project Manager</p> <p>31 October 2024</p>
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CONCLUSION

We conclude that the Council has a Moderate design of controls and a Moderate effectiveness of controls for the SHDF Wave 2.1 grant management controls.

Control Design

The control design is Moderate because there was generally a sound system of internal controls designed to achieve the system objectives, with some exceptions. Critically, the Council did not have formal arrangements for monitoring key performance indicators with E.ON or lessons learnt throughout the project lifecycle. Additionally, a tenant engagement strategy has not been developed and a Tenant Liaison Officer has not been appointed, creating a gap in communication channels with residents.

Despite this, the Council demonstrated strong stakeholder engagement, with regular reporting on the progress of the project through its own governance structures and to the DESNZ. Similarly, there were reasonable controls in place to ensure installations were completed to an acceptable standard, although documentation was not always retained in the project file to support this.

Control Effectiveness

The control effectiveness was Moderate as there was evidence of non-compliance with some controls, that may put some of the system objectives at risk.

The start of the project was delayed by seven months due to the resourcing and capacity within the Project team, but the Decarbonisation Project Manager was appointed in August 2023 to oversee the project. As a result, Phase 1 was not fully completed at the time of our audit, despite the project plan expecting that it would be. We also noted exceptions around the retention of inspection certificates and documentation to provide a clear audit trail for each property.

The grant funding agreement requires any upgrades beyond EPC Band C to be 50% co-funded by the local authority. In our sample, there were six properties that had been upgraded beyond EPC Band C, but the full cost appeared to be used from the grant funding.

Therefore, there were some key processes and controls that the Council could improve on for the later waves of funding and for future funded projects to support effective grant management.

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to local authority providers that may be of interest to your organisation. It is intended to provide a snapshot of current issues for Senior management and Members.

TRANSFORMING PUBLIC PROCUREMENT - INTRODUCING THE PROCUREMENT ACT

THE RULES GOVERNING PUBLIC PROCUREMENT ARE CHANGING - THE NEW PROCUREMENT ACT INTRODUCES SEVERAL KEY BENEFITS WHICH ARE DUE TO GO LIVE ON MONDAY 28 OCTOBER 2024.

One in every three pounds of public money, some £300 Billion a year, is spent on public procurement.

The reforms proposed within the Procurement Act are important, because they will shake up our outdated procurement system, so that every pound goes further for our communities and public services. They will place value for money, public benefit, transparency and integrity at the heart of our procurement system; they will modernise and unify our systems and processes; and they will get tough on the poor performers and fraudsters.

The Act will reform the UK's public procurement regime, making it quicker, simpler, more transparent and better able to meet the UK's needs while remaining compliant with our international obligations. It will introduce a new regime that is based on value for money, competition and objective criteria in decision-making. It will create a simpler and more flexible, commercial system that better meets our country's needs. And it will more effectively open public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts. It will strengthen the approach to excluding suppliers where there is clear evidence of their involvement in Modern Slavery practices, and running throughout each part of the Bill is the theme of transparency. We want to deliver world-leading standards of transparency in public procurement and this Act paves the way for that.

The Transforming Public Procurement programme aims to improve the way public procurement is regulated in order to:

- ▶ Create a simpler and more flexible, commercial system that better meets our country's needs while remaining compliant with our international obligations
- ▶ Open up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts
- ▶ Embed transparency throughout the commercial lifecycle so that the spending of taxpayers' money can be properly scrutinised.

The Procurement Bill, which will reform the existing Procurement Rules, has now received Royal Assent. You can view the new Procurement Act on the [UK legislation website](#), and the official record of the Bill's progress through Parliament, with all supporting documents on the [Parliamentary website](#).

<https://www.gov.uk/guidance/the-official-transforming-public-procurement-knowledge-drops>

FOR INFORMATION

For the Governance and Audit Committee and Executive Directors

THE NEW WORKER PROTECTION ACT & SEXUAL HARASSMENT IN THE WORKPLACE

We explore the introduction of the Worker Protection Act 2023; outlining what the Act is, the intended impact, implications for employers and reasonable steps to addressing the compliance requirements.

We also explore how employers can go beyond compliance to create a psychologically safe and ethical working environment for their people.

The Worker Protection Act 2023 comes into effect in October 2024 and places a legal duty on UK employers to actively prevent and address sexual harassment in the workplace. The Act is an amendment of the 2010 Equality Act and holds employers accountable to "take reasonable steps to prevent sexual harassment of employees in the course of their employment".

Rather than redressing past incidents, the Act will introduce the requirement for employers to take reasonable steps to protect their employees from the occurrence of sexual harassment. This includes when employees are working outside of their normal workplace and at workplace social events which will be considered an extension of the workplace under the Act.

At this time, it isn't clear what these "reasonable steps" will look like. However, as the guidance will introduce a mandate and onus for organisations to define and embed ethical preventative measures into their workplaces to prevent sexual harassment, it will require the urgent proactive assessment of processes, policies and working practices for many UK employers against the new requirements.

[The New Worker Protection Act & sexual harassment in the workplace - BDO](#)

FOR INFORMATION

For the Audit and Governance Committee Members and Executive Directors

FIVE SOCIAL LANDLORDS FAIL TO MEET RSH'S STANDARDS

ON 9 JULY 2024 THE REGULATOR OF SOCIAL HOUSING PUBLISHED REGULATORY JUDGEMENTS FOR FIVE SOCIAL HOUSING LANDLORDS

Bristol City Council, Guildford Borough Council, Octavia Housing and Sheffield City Council have each failed to meet RSH's new consumer standards, which were introduced on 1 April 2024 as part of a series of changes to its role, intended to drive landlords to deliver long-term improvements for tenants.

Cambridge City Council has not met RSH's rent standard and as a result overcharged around 3,600 tenants.

Following investigations into each landlord, RSH found that:

- ▶ Bristol City Council could not evidence that it is meeting carbon monoxide safety requirements for over 22,000 homes (out of 26,700 total homes). It also reported 1,900 open damp and mould cases, more than 16,000 overdue repairs and 3,000 overdue fire safety actions. In addition, the council does not have up-to-date data about the condition of tenants' homes.
- ▶ Guildford Borough Council has around 1,700 homes without an up-to-date electrical condition report (out of 5,200 total homes), and it could not provide evidence that it has completed around 1,300 fire safety actions. In addition, it has not collected Tenant Satisfaction Measures from tenants, which all social landlords are required to do.
- ▶ Octavia Housing currently has 1,200 overdue fire safety remedial actions across its 5,000 homes. It was unable to provide evidence that it is meeting other health and safety requirements, and it does not hold complete and accurate records for safety inspections.
- ▶ Sheffield City Council had around 10,000 outstanding repairs across its 38,500 homes and, between January and April 2024, more than 90% of disrepair cases were outstanding for extended periods. RSH also found evidence that the council does not have an accurate record of the condition of tenants' homes.
- ▶ Cambridge City Council has previously overcharged around 3,600 tenants (half the total number) as a result of rent-setting errors over a prolonged period. The overcharge is estimated to be around £3.2 million.

All the landlords are working to address these issues and put things right for their tenants, and RSH is working with the landlords proactively as they do this.

Bristol City Council, Guildford Borough Council, Octavia Housing and Sheffield City Council have each been given a C3 grading by RSH, which means there are serious failings, and they need to make significant improvements. This is the first time RSH has published consumer gradings for social landlords, following the changes to its role in April 2024. RSH does not give gradings in relation to the rent standard.

<https://www.gov.uk/government/news/five-social-landlords-fail-to-meet-rshs-standards>

FOR INFORMATION

For the Governance and Audit Committee and Executive Directors

DISTRICTS WANT COUNCIL TAX FLEXIBILITY, DEVOLUTION AND OTHER POWERS FROM NEW GOVERNMENT

COUNCIL TAX REFERENDUM LIMITS SHOULD BE RAISED TO AT LEAST 10% NEXT YEAR AS A FIRST STEP TO SCRAPPING THEM ALTOGETHER, DISTRICT COUNCILS HAVE SAID.

The measure is part of an ambitious package of proposals aimed at securing the financial sustainability of district councils and giving them the freedom and flexibility to transform local areas.

In a prospectus, the District Council Network is calling for a permanent commitment to multi-year settlements and a radical streamlining of one-off capital and revenue funding pots, with competitive bidding replaced by larger, more flexible sources of funding which maximise local discretion.

All formula-based specific grants should be rolled into the main local government finance settlement, the group says.

It also wants to see greater local control over business rates, with councils retaining 75% of receipts, and local housing authorities handed all additional income generated by the council tax supplement on second homes.

A wider shake-up of fiscal devolution is needed to help districts raise the income needed to regenerate high streets and town centres, it says, and new sources of local revenue such as tourist taxes should be easier to introduce.

The group argues that district councils have taken a disproportionate hit in recent years, with their core spending power having dwindled by 15% in real terms since 2015, compared with an 11% increase for local government.

In response, they had no choice but to deliver 10% in savings and service cuts to balance their budgets last year, it said.

“By forging a strong partnership between district councils and central government, we can secure the long-term sustainability of district funding... and deliver the financial freedoms and flexibilities that will allow districts to respond to the local needs we are uniquely placed to identify,” it said.




Elsewhere in the prospectus, districts set out how they can accelerate the delivery of new homes, boost the supply of social and affordable housing and prevent homelessness.

<https://www.publicfinance.co.uk/news/2024/07/districts-want-council-tax-flexibility-devolution-and-other-powers-new-government>

FOR INFORMATION





For the Governance and Audit Committee and Executive Directors

KEY PERFORMANCE INDICATORS




QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Governance and Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner or Audit Manager	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	
Completion of audit plan	We have completed two reviews and a third-party assurance grant review and are therefore, progressing in accordance with the internal audit plan.	

APPENDIX I

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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