

# Report on Value for Money for London Borough of Lewisham

**Year ended 31 March 2014**

**Report date August 2014**

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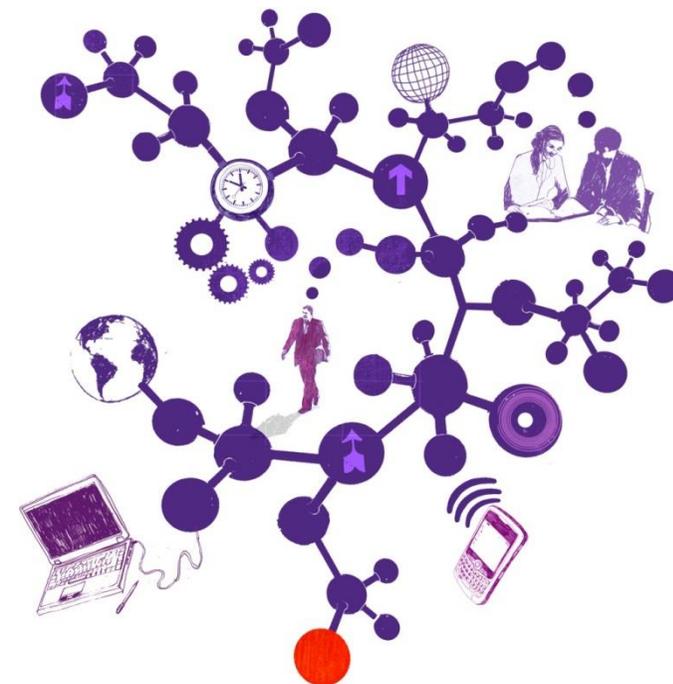
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## What is this report?

This report summarises the findings from our work supporting our Value for Money (VfM) conclusion, which is required as part of the statutory external audit responsibilities.

It complements our Audit Findings Report, by providing additional detail on the themes that underpin our VfM conclusion.

## Value for Money Conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission, which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience:** the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future (defined by the Audit Commission as "twelve months from the date of issue of the report").

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness:** the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Code require auditors to identify significant risks to the VfM conclusion and to plan sufficient work to evaluate the impact of those risks, if any.

## Our approach

The approach involves:

- desktop analysis of relevant documentation
- meetings with key internal stakeholders
- a risk assessment to identify any significant risks.

Our approach is designed to assess:

- arrangements in place related to the specified criteria
- performance during 2013-14 and what that says about those arrangements
- any significant risks that we have identified.

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# Introduction

## What is this context?

### Nationally

The 2010 Spending Review set the Coalition Government's financial settlement for the four years to 2014/15, and the 2013 Review then covered 2015/16. By the end of this period, central funding to local government will have reduced by 35%.

2013/14 is the third year of councils having to deliver efficiency savings in response to the 2010 Spending Review and, given the 2013 Review and the budget statement in 2014, the challenging financial environment will continue for the foreseeable future. Delivering these efficiency savings and maintaining financial resilience is becoming increasingly difficult, even for top-performing councils. The challenges include:

- transformational change for many authorities after many years of cost efficiencies
- responding to welfare reform; and
- the drive towards more integrated health and social care; and
- anticipated increase in demand for many demography-driven council services, whereas demand for some income-earning services is falling.

To fulfil their statutory requirements, councils must continue to provide mandatory services. But the opposing trends in funding and demand will create a sizeable funding gap even if carefully managed. In short, the sector is working through its greatest financial challenge of recent times.

### Locally

In common with much of the capital the London Borough of Lewisham has a growing population, increasing demand for services and an acute shortage of decent affordable housing. Local council elections were held on 22 May 2014; elected councillors are facing a period of extreme challenge.

The Council has a good track record of managing its finances and meeting its financial targets. It continued this good performance in 2013/14, making a surplus of £1.8 million. However the combination of cost pressures and cuts to grant funding mean that an estimated £95 million of savings will be required between 2014 and 2018.

According to deprivation statistics published by the Department of Communities and Local Government, Lewisham is one of the most deprived areas in England. Historic comparative data shows Lewisham has relatively few alternative sources of income compared to other councils. Consequently the Council is reliant on central government grant funding and is proportionally more affected by reductions in grant funding than some other councils.

While the Council has set a balanced budget for 2014/15 the scale of the challenge means that more radical solutions may be required from 2015/16 onwards, including changes to front line council services. Senior officers recognises this and the Lewisham Futures programme has been established to consider the future provision of services in an environment of significantly reduced funding.

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# Executive Summary

## Overall Risk Assessment

We carried out an initial risk assessment and we planned to carry out work in the following areas to address the risks we identified:

- review key financial performance indicators for 2013/14.
- review and comment on your medium term financial projections.
- review your performance against your savings targets and comment on your identification of savings in 2014/15 and beyond.
- consider the work of the Lewisham Futures Board in seeking to ensure a sustainable future for the Council's services.
- Consider the management of staffing reductions in the finance function.
- Comment on your partnership working in seeking to maximise the benefits of the Better Care Fund.

## Overall VfM conclusion

Based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

We note however that the conclusion is subject to a moderation process.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against key indicators of financial performance and the three expected characteristics of proper arrangements, as defined by the Audit Commission:

- strategic financial planning
- financial governance
- financial control.

Overall our work highlighted that the Council has a good track record of managing its finances, making efficiencies and meeting its financial targets. In 2013/14 the Council made a surplus of £1.8 million and increased the level of its reserves. 2013/14 comparative data with other London Boroughs shows that the Council has levels of balances, reserves and working capital that are adequate and in line with other London councils.

The challenge of reduced funding is having an impact in 2014/15. While the Council has set a balanced budget for the year, it has had to draw on £3 million of reserves to support the revenue position whilst it seeks further efficiencies. Additionally the Council is experiencing cost pressures which, by current forecasts, indicate a potential overspend at directorate level of over £10 million. The largest cost pressure relates to residents with no recourse to public funds. The corporate budget includes a £3.9 million contingency which could partly mitigate the impact of budget pressures.

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# Executive Summary

## Key findings

### Securing financial resilience (continued)

2015/16 is a potential tipping point for the Council's finances. The Council estimates that £38 million of savings and efficiencies are needed to set a balanced budget.

The Council understands the scale of the challenge and that savings of this magnitude will necessarily mean changes to the way it provides services. The Lewisham Futures Board's remit is to identify options for achieving these savings. At the time of writing council management had identified £27 million of savings options. These have still to be published and agreed with members. Alongside the work of the Lewisham Futures Board the Council has been carrying out a zero based budgeting exercise, which has identified a further round of potential savings which, if agreed, would further address the potential budget gap for 2015/16.

The Council has a good track record of implementing savings. However due to the scale of the challenge and the short time scale there is a risk that the Council may not be able to implement its proposals in time to bridge the potential budget gap in 2015/16.

The Council has considered this risk and the mitigating, non-recurring measures which would be needed in that scenario to set and deliver a balanced budget.

The 9<sup>th</sup> July 2014 meeting of the Public Accounts Committee received the Council's updated medium term financial strategy, setting out the financial forecasts for the period up to 2017/18. The headline message is that £95 million of savings will be needed over the period.

## Key findings

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall our work highlighted that the Council has established arrangements for identifying potential savings.

The Audit Commission publishes comparative cost data through value for money profiles on its website. The most recent data is for the year 2012/13 and compares the London Borough of Lewisham to other similar councils. Two of the headline messages are:

- adult social care costs are one of the highest in the peer group.
- Lewisham has the lowest level of income from fees and charges of any council in the peer group.

The Council recognises these issues. Adult social care and fees and charges are two of the headline thematic reviews in the work of the Lewisham Futures Board, where the Council is putting forward options for reducing costs and increasing income.

Another theme of the Lewisham Futures Programme is the target to save £12 million per annum through shared service arrangements. At this stage there are no firm proposals to underpin this target, although the Council is exploring a number of options. The Council recognises that this is one of the most challenging to achieve of its thematic reviews.

# Executive Summary

We use a red/amber/green (RAG) rating with the following definitions.

<b>Green</b>	<b>Adequate arrangements appear to be in place</b>
<b>Amber</b>	<b>Adequate arrangements, with areas for development</b>
<b>Red</b>	<b>Inadequate arrangements</b>

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Financial Performance</b>	The key indicators of financial performance for 2013/14 show the Council's performance to be similar to other London Boroughs.	<b>Green</b>
<b>Strategic Financial Planning</b>	The Council has developed a medium term financial plan aimed at maintaining a resilient financial position. The plan covers the period to 2018 and estimates that £95 million of cumulative savings will be required.	<b>Green</b>
<b>Financial Governance</b>	Management and members demonstrate a sound understanding of the financial challenges facing the Council.	<b>Green</b>
<b>Financial Control</b>	Overall the Council has adequate financial controls in place. However the savings needed to achieve a resilient financial position in the medium term are highly challenging. Although the Council has string arrangements, the scale of the issue is such there is a risk of this not being achieved in the time scale. The Council is projecting a directorate level overspend of £10 million in 2014/15.	<b>Amber</b>
<b>Prioritising Resources</b>	The Council has good arrangements in place for prioritising its resources. This has been demonstrated in the work of the Lewisham Futures Board and in the Council's active engagement with NHS partners to develop proposals for the Better Care fund.	<b>Green</b>
<b>Improving Efficiency &amp; Productivity</b>	The Council has a good track record of improving its efficiency and productivity. However comparative costs appear to be above the average of other similar councils, particularly for Adult social care. The medium term financial plan contains the target to save £12 million through shared services arrangements, however there are no firm proposals to underpin this target at present.	<b>Amber</b>
<b>Management of Natural Resources</b>	The Council has good arrangements in place for managing its use of natural resources	<b>Green</b>

# Key Indicators of Financial Performance

Area of focus	Summary observations	RAG-Rating
<b>Liquidity</b>	We have include a graph at page 15 which compares your levels of working capital to other London councils. The graph shows you have adequate working capital and are about average compared with the peer group.	<b>Green</b>
<b>Borrowing</b>	We have included a graph at page 15 which compares your levels of long term borrowing to other London councils. The graphs shows your levels of debt are in line with the peer group.	<b>Green</b>
<b>Workforce</b>	<p>The level of sickness absence is 7.2 days per employee. This is less than the local government average of 8.8 days per full time equivalent.</p> <p>Your financial records indicate the Council incurred £23.3 million of expenditure on temporary and agency staff in 2013/14 (the figure includes schools staff). Use of temporary staffing can be a pragmatic way of managing staffing needs in a time of change and restructuring, but agency staff also tend to be more expensive than in-house staff. This is a significant sum which may warrant investigating.</p>	<b>Green</b>
<b>Performance against budgets (Revenue Capital &amp; Savings)</b>	Your outturn report shows that for 2013/14 you made a surplus of £1.8 million compared with your budget. Council Tax collection for the year was 94.8% which is equivalent to the previous year, despite the reduction in council tax support. Capital expenditure for the year was £114.4m which was 96% of the revised forecasted year-end expenditure budget of £119.8m. A total of 95% of the £20.9m savings agreed in setting the 2013/14 budget were delivered on schedule.	<b>Green</b>
<b>Reserves balances</b>	The graph at page 18 which compares your levels of usable reserves to other London councils. The graph shows the levels of reserves are around average compared with the peer group.	<b>Green</b>
<b>Schools balances</b>	The graph at page 19 compares your levels of school reserves to other London councils and shows the level of reserves is average compared with the peer group.	<b>Green</b>

# Strategic Financial Planning

Area of focus	Summary observations	RAG-Rating
<p><b>Focus of the MTFP</b></p>	<p>The 9<sup>th</sup> July meeting of the Public Accounts Committee received the Council's new Medium Term Financial Plan. This sets out the Council's financial position over the next four years to 2017/18. The plan makes prudent and realistic assumptions about the levels of savings and efficiencies which will be required over the next four years.</p> <p>The plan sets out the impact of inflationary pressures as well as the impact of cuts to central government grant. The plan also sets out best and worst case scenarios for the levels of savings which will be required, and considers these scenarios in arriving at the most likely scenario of £95 million savings requirement.</p> <p>The plan recognises that cuts will need to be made to front line services to meet the financial challenge. The plan also sets out the thematic areas where the cuts will affect, while recognising that the detail of those plans still needs to be agreed.</p> <p>In conclusion the Council has developed a prudent and realistic medium term financial plan with appropriate focus.</p>	<p><b>Green</b></p>
<p><b>Adequacy of planning assumptions</b></p>	<p>The Council made reasonable and prudent assumptions in developing its medium term financial plan. On Inflation, the Council has applied a rate of 1% to pay, and a rate of 2.5% to most non-pay items. Both of these inflation rates are in line with the values reported by the Office of National Statistics in December 2013. The Council has also made prudent projections of the anticipated levels of central government grant funding.</p> <p>The combined effect of cost pressures and reductions to funding leads to a projected shortfall of £95m of additional savings which need to be found by the Council between 2014 and 2018. This has required a full review of all of the services and functions. The Lewisham Future Programme Board has been set up to oversee this review. The Council's overall priorities have also remained a key element of this process, and all potential savings have been considered against the priorities to minimise adverse impacts.</p> <p>In setting the 2014/15 budget there remained a £3million budget gap which needed to be funded from a planned one-off use of reserves and provisions</p> <p>Additionally in 2014/15 a number of pressures have emerged which were larger than envisaged when the 2013/14 budget was set. These have led to an estimated directorate level overspend of over £10 million, which is partly mitigated by contingency budgets.</p>	<p><b>Amber</b></p>

Area of focus	Summary observations	RAG-Rating
<b>Scope of the MTFP and Links to Annual Planning</b>	The medium term financial plan presented to the July meeting of the PAC brings together the annual budget for 2014/15 and the links to medium term to 2014/18.	<b>Green</b>
<b>Review process</b>	The Council keeps its medium term financial plan up to date. The most recent iteration of the plan was presented to the Public Accounts Committee in July 2014.	<b>Green</b>
<b>Responsiveness of the Plan</b>	<p>The Council keeps its plans and assumptions up to date. It carried out a Strategic Financial Review undertaken in July 2013, and updated it in November 2013.</p> <p>The plan is constantly being developed and updated as the Lewisham Futures Programme Board develops the detailed plans for future savings.</p> <p>The medium term financial strategy recognises the uncertainty over future position and sets out a number of scenarios, including a worst case scenario.</p>	<b>Green</b>

# Financial Governance

Area of focus	Summary observations	RAG-Rating
<p><b>Understanding of the financial environment</b></p>	<p>Management has a good understanding of the scale of the financial challenge facing the Council. The Chief Executive and all Executive Directors sit on the Lewisham Futures Programme Board, which has a high profile within the Council.</p> <p>At the time of writing the Lewisham Futures Board is still developing its proposals, which have yet to be formally adopted by Council members.</p>	<p><b>Green</b></p>
<p><b>Executive &amp; Member Engagement</b></p>	<p>The Council's Members exercise robust challenge over all of the key financial reports which are presented to them, including items such as the approval of the annual budget. The 2014/15 budget was presented to Mayor and Cabinet and the minutes indicate it received an appropriate level of challenge. This resulted in several amendments to the draft Budget before it was passed to Full Council for approval.</p> <p>Mayor and Cabinet also receive Financial Monitoring updates, where significant variances from budgets are challenged and explanations are obtained where required.</p> <p>Local elections were held on May 22nd. While there was some turnover of members this has not affected the Council's direction or the level of engagement from members. New Members received an appropriate level of induction training.</p>	<p><b>Green</b></p>

Area of focus	Summary observations	RAG-Rating
<p><b>Overview for controls over key cost categories</b></p>	<p>The Council has good controls in place around the reporting of key cost categories. When finance reports are provided to Mayor and Cabinet, they provide a detailed breakdown of how each of the Council's Directorates are performing. Included within this are details of the specific over and underspends within each of these Directorates, which allows Members to understand the specific issues identified. For example, at the end of September 2013, the Customer Services Department was forecasting an overspend of £1.5m. This was due to a number of items, including a shortfall in income received from Pay and Display Parking, additional expenditure incurred due to slippage on a restructure of the Strategic Housing Service, and several other issues.</p> <p>Analysis by Directorate is a feature of all of the Council's financial reporting, including when considering the level of savings which are going to need to be made over the coming years. Given these directorates have remained unchanged over recent years, it allows comparisons to be made on a relatively straightforward basis in terms of year-on-year performance.</p>	<p><b>Green</b></p>
<p><b>Budget Reporting (Revenue &amp; Capital)</b></p>	<p>The Council's Financial Performance is overseen by the Mayor &amp; Cabinet, who receive regular updates on the current financial position.</p> <p>Finance reports are clearly set out and comprehensive, with an appropriate level of narrative description and context. They include revenue and capital budgets, performance by Directorates, current financial performance and projections. Reports also include other relevant financial information including collection rates for council tax and NNDR.</p>	<p><b>Green</b></p>
<p><b>Adequacy of other Committee Reporting</b></p>	<p>The Audit Panel and the Public Accounts Committee also discuss the Council's financial performance. Our audit has not identified any concerns with the work of these committees.</p>	<p><b>Green</b></p>

# Financial Control

Area of focus	Summary observations	RAG-Rating
<b>Budget setting &amp; monitoring - revenue &amp; capital</b>	<p>The Council has a good track record of meeting its financial targets without drawing on reserves.</p> <p>It continued this good track record in 2013/14, making a surplus of £1.8 million, while adding to its revenue reserves.</p> <p>However the financial position is becoming more stretched. A balanced budget has been set for the 2014/15 budget, but the Council has needed to budget for the use of £3 million reserves and provisions in the year, while additional savings and efficiencies are identified.</p> <p>In addition, the latest budget reports show that the Council is projecting an overspend at Directorate level of £10.2 million in 2014/15.</p>	<b>Amber</b>
<b>Savings plans setting &amp; monitoring</b>	<p>The Council has a good track record of identifying and achieving efficiencies and savings, having delivered £82m of savings between May 2010 and 2013-14.</p> <p>The Council recognises that savings of £95 million between 2014 and 2018 will require changes to the way it provides services. The Lewisham Futures Programme Board is tasked with developing and implementing proposals.</p> <p>2015/16 has the potential to be a tipping point for the Council's finances. The Council estimates that £38.3 million of savings will be needed. To date management have identified proposals totalling around £27 million for 2015/16. At the time of writing these were still to be formally agreed with members and made public.</p> <p>In addition to this senior officers have been carrying out a zero based budgeting exercise and have identified further potential savings areas, some of which are within the £27 million quoted above, with an additional £4 million of proposals still in the development stage.</p> <p>The Council has given priority to the financial position and is following an appropriate process to deal with it. However given the scale of the challenge and the short timescales there remains a risk that the Council will not be able to identify and implement a full £38 million of recurring measures.</p> <p>The Lewisham Futures Board is aware of the risk and has considered what mitigating measures may be called on in 2015/16 to enable a balanced budget to be set and delivered.</p>	<b>Amber</b>

# Financial Control

Area of focus	Summary observations	RAG-Rating
<p><b>Key financial accounting systems</b></p>	<p>Internal audit have reviewed the key financial systems during the year and gave substantial or significant assurance over those systems. The only system to receive limited assurance was Property, Plant and Equipment, which is largely undertaken as a year end exercise.</p> <p>We have raised similar issues in our audit. We also raised issues over reconciliations in particular between the payroll system and the general ledger. The Council has acknowledged this as an issue and agreed to review its reconciliations for 2014/15.</p> <p>We have also raised concerns about the Council's systems for producing grant subsidy claims.</p> <p>The Council is currently updating its financial ledger to the shared One Oracle ledger update. The upgrade had previously been delayed several times because of concerns over its security and functionality, which we understand have now been addressed. As this is happening currently we are not able to comment on the controls operating in this system.</p> <p>On balance we are satisfied that the information produced by the majority of the Council's systems is accurate, and can be produced in a timely manner.</p>	<p><b>Green</b></p>
<p><b>Finance department resourcing</b></p>	<p>As part of the Council's on-going savings programme the finance department has been subject to a significant reorganisation. This has resulted in a reduction in posts (including the number of Principal Accountants reducing from 14 to 9) and reallocation of responsibilities.</p> <p>During our audit we noted this has had some impact on the capacity of the Department, in that there are fewer officers and some accountants were carrying out their responsibilities for the first time. We also noted that some key tasks, in particular reconciliations, were not being carried out.</p> <p>Overall we conclude that the reorganisation has been carried out in a controlled manner with responsibilities being reallocated to appropriate officers. The Council should continue to seek assurances that it retains the capacity to carry out its statutory accounting responsibilities.</p>	<p><b>Green</b></p>

# Financial Control

Area of focus	Summary observations	RAG-Rating
<b>Adequacy of Internal audit arrangements</b>	<p>During 2013/14 the Council's Internal Audit function was outsourced to Baker Tilly, who were overseen by the Head of Corporate Resources and Internal Audit Contract Manager, who are both Council employees.</p> <p>The Council had previously raised significant concerns about the performance, timeliness and quality of Baker Tilly's work. As a consequence Baker Tilly has now resigned as the Council's internal auditor. The service has now been brought back in-house.</p> <p>This creates a risk in terms of the Council's capacity to deliver an in-house internal audit service, particularly in specialist areas such as IT audit where the Council may lack the technical expertise. To address this the Council is buying in additional audit capacity from other London councils including Greenwich.</p> <p>The Council's internal audit service is in a transitional period and because of this we have rated this with an "amber" rating. The Council intends to obtain an independent assessment of its new internal audit arrangements.</p>	<b>Amber</b>
<b>External audit conclusions</b>	<p>We issued an unqualified opinion on the Council's accounts and on its pension fund accounts in 2012/13.</p> <p>During 2013/14 to date we have raised some concerns and report points including:</p> <ul style="list-style-type: none"> <li>• the Council's approach to reconciliations;</li> <li>• Its arrangements for producing grant subsidy claims; and</li> <li>• Its arrangements for obtaining and accounting for asset valuations.</li> </ul> <p>Overall however we conclude that a 'green' rating is appropriate.</p>	<b>Green</b>
<b>Assurance framework/risk management processes</b>	<p>We attend all meetings of the Audit Panel where the Assurance framework and risk management are discussed. We have not noted any issues that would impact on our value for money conclusion.</p>	<b>Green</b>

# Prioritising Resources

Area of focus	Summary observations	RAG-Rating
<b>Leadership and challenge in prioritising resources</b>	<p>The Council recognises the scale of the financial challenge. The drive to achieve a sustainable financial position is led by the Chief Executive, who has established the Lewisham Futures Programme Board, with a remit to challenge the way Lewisham provides its services. The Chief Executive has also established a programme of zero based budgeting reviews to scrutinise the existing budget base lines and challenge the executive team.</p>	<b>Green</b>
<b>Better Care Fund</b>	<p>The Council has exhibited good practice in its planning for the Better Care Fund and has positive relationships with the Clinical Commissioning Group. Senior Management have met regularly with the CCG to engage in constructive dialogue in developing plans that should achieve the aims of the fund.</p> <p>The health and wellbeing board monitors progress with the Better Care fund and has representation from health partners.</p>	<b>Green</b>
<b>Consultation with key stakeholders</b>	<p>From our on-going review of minutes and meetings with council officers we have not identified any concerns against this criteria. The Council plans to consult with staff and unions on savings proposals.</p>	<b>Green</b>

# Improving Efficiency & Productivity

Area of focus	Summary observations	RAG-Rating
<b>Understanding impact and outcome of decisions</b>	The Council considers the impact of its savings proposals on front line services. Previous savings rounds have focussed on back office savings, however there is a recognition that future savings plans will affect service provision. There is a process of consultation before the Council implements its proposals.	<b>Green</b>
<b>Understanding costs</b>	<p>Then Audit Commission produces comparative data (VFM profiles) for English councils, which show costs are above average for the Council's adult social care services.</p> <p>The Council recognises this is an area of higher cost. In the thematic reviews of the Lewisham futures Board the Council has identified £25 million as a target for potential savings by 2018 (entitled "deeper working between health and social care").</p> <p>This is an extremely challenging aspiration. For 2015/16 the Council has identified £6 million of proposals towards this target. At the time of writing these have still to be formally agreed with staff and Members.</p>	<b>Amber</b>
<b>IT Systems and Data quality</b>	In our audit we have not noted any significant concerns with the quality of the Council's IT systems or in the quality of its data.	<b>Green</b>
<b>Delivery of Savings and service re-design</b>	<p>The Council has strong examples of service redesign from its on-going process of achieving efficiency savings.</p> <p>The Lewisham Futures programme contains the Thematic review to save £12 million through shared service arrangements. There are no firm proposals underpinning this target, although the Council is considering a number of options.</p> <p>The Council recognises that this will probably be the most difficult of the thematic reviews to achieve.</p>	<b>Green</b>
<b>Effectiveness of key services</b>	From our audit we have not noted any concerns with the quality and effectiveness of the Council's services.	<b>Green</b>

# Management of Natural Resources

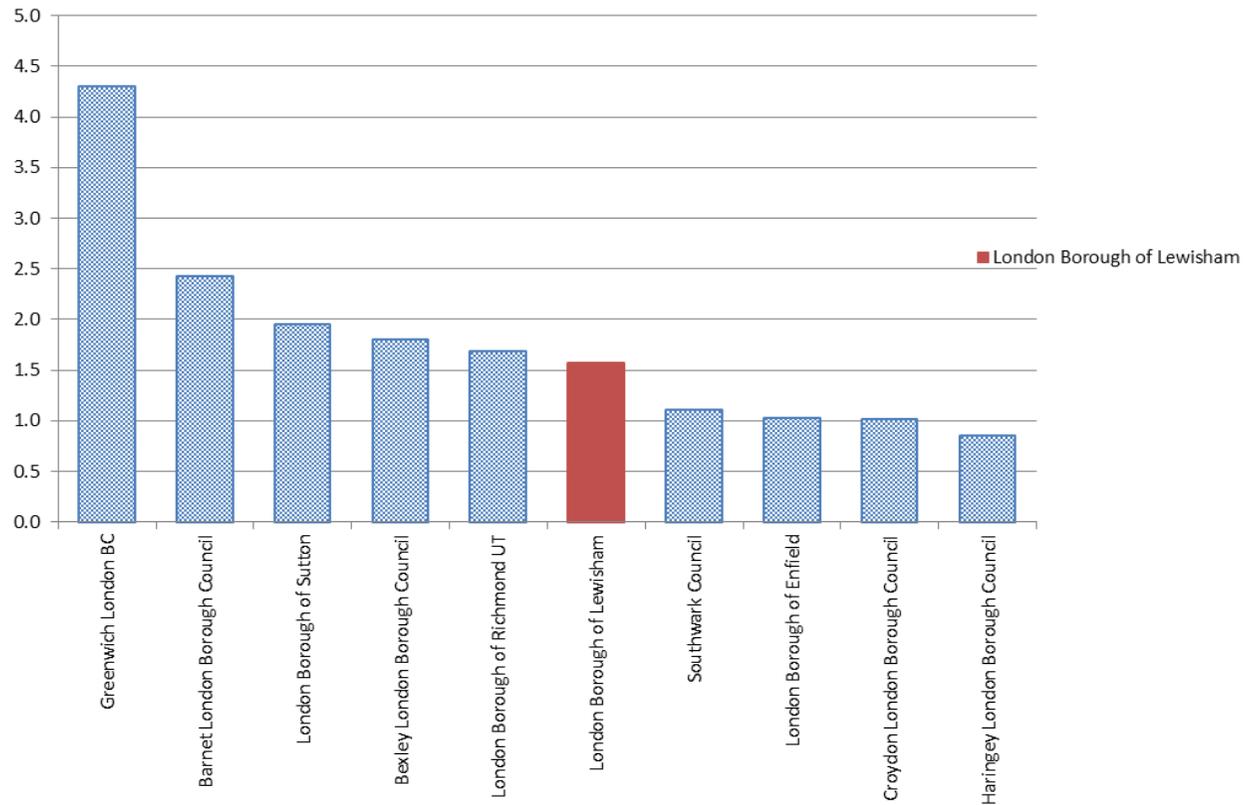
Area of focus	Summary observations	RAG-Rating
<b>Management of Natural Resources</b>	<p>The Council is pro-active in considering its management of natural resources. The Council has a Carbon Reduction and Climate Change Strategy in place, which sets out the targets which it is looking to achieve in respect of reducing Carbon omissions, and how it is looking to achieve these reductions. Whilst no specific reports are produced in respect of natural resources, one of the Council's 10 overarching priorities is 'Clean, Green and Liveable', and performance against this priority is monitored on a monthly basis within the Management Performance Report. Against this priority, there are a number of performance indicators, including items such as the level of waste recycled, which thus allows the Council to see how it is performing in respect of environmental issues throughout the year.</p> <p>Also, all of the decisions made by the Council are reviewed for their environmental impact, and should any decision appear to be having a negative impact on the environment, then adequate mitigations would be put in place.</p>	<b>Green</b>

# Appendix 1 – Benchmarking

## Our approach

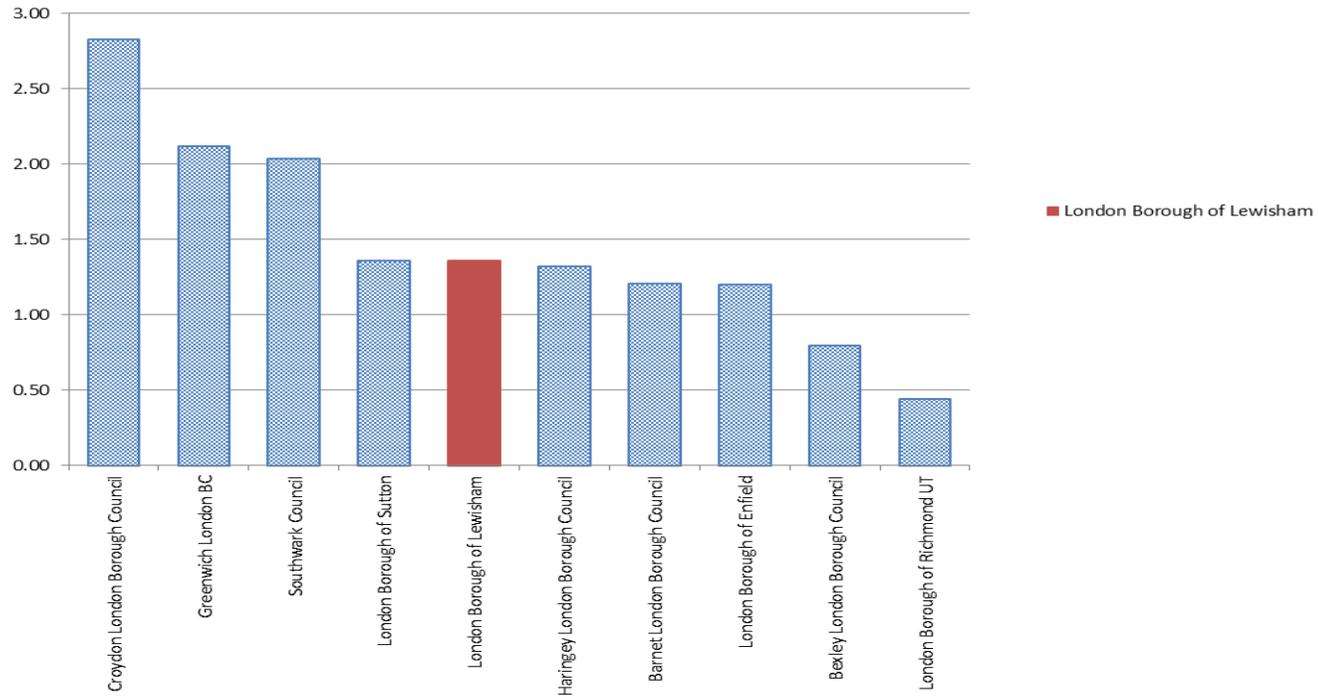
We have compared your draft (unaudited) financial statements to those of other London councils to obtain the following comparisons.

### Working Capital ratio - 2013-14



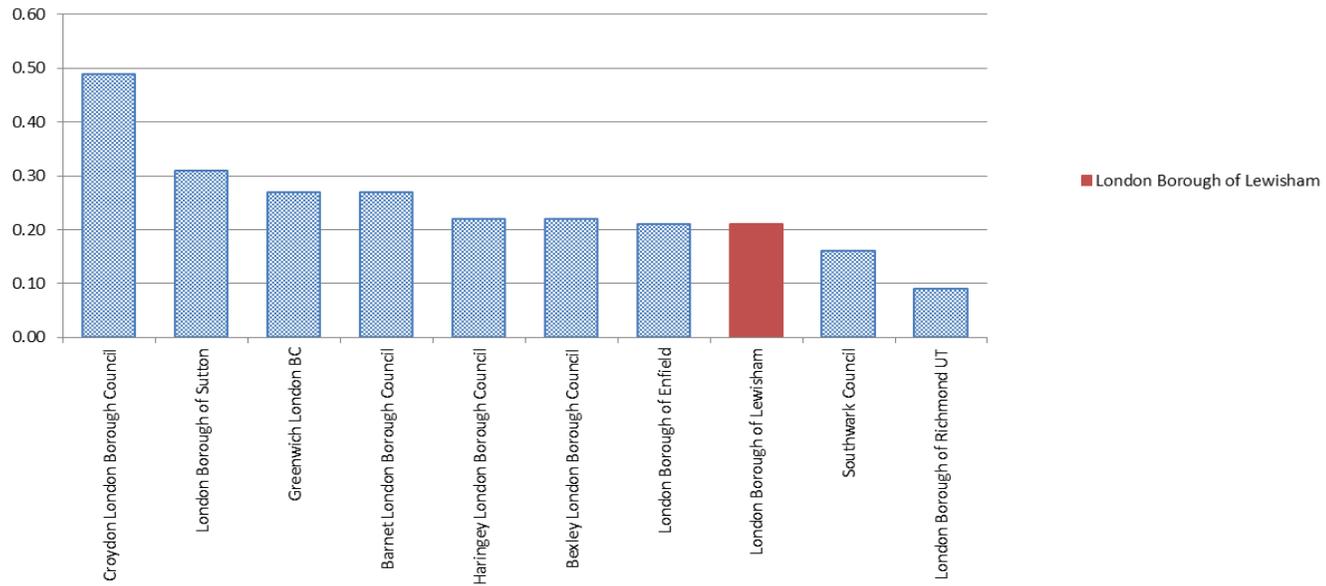
# Appendix 1 – Benchmarking

### Long Term Debt to Tax Revenue ratio - 2013-14



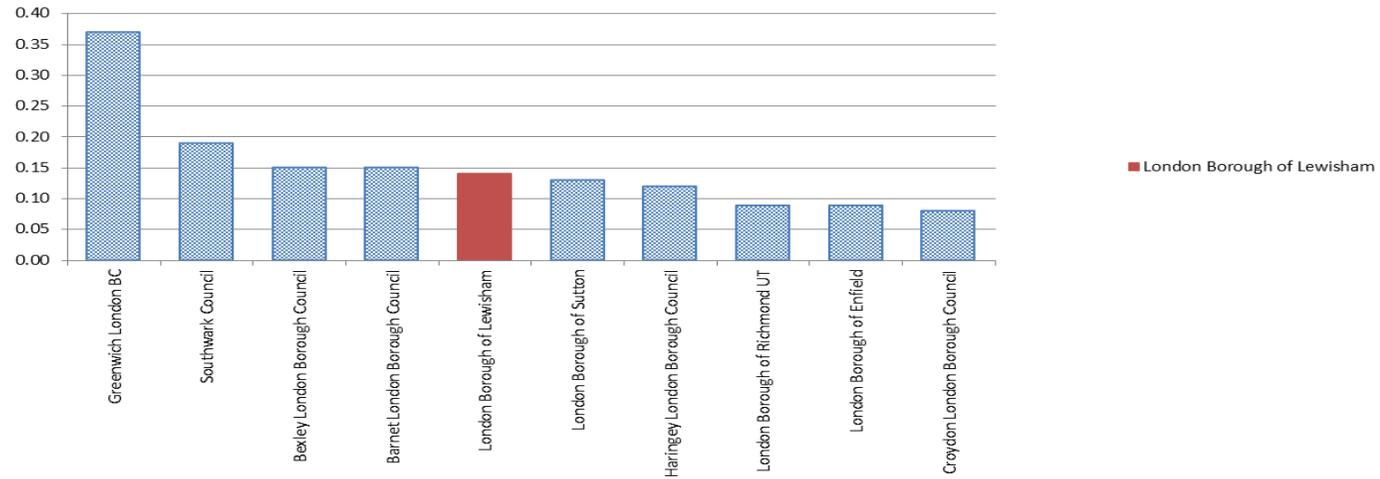
# Appendix 1 – Benchmarking

Long Term Debt to Long Term Assets ratio - 2013-14



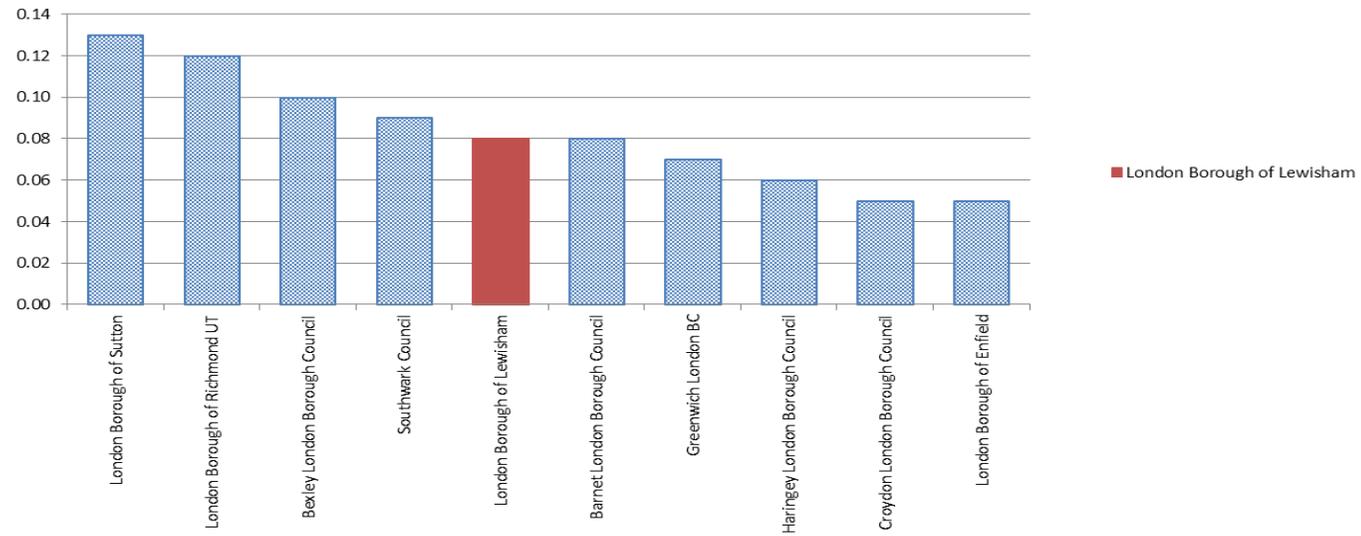
# Appendix 1 – Benchmarking

Usable Reserves to Gross Revenue Expenditure ratio - 2013-14



# Appendix 1 – Benchmarking

**Schools Balances to Dedicated Schools Grant ratio - 2013-14**





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