

## Appendix G

## Auditor's Annual Report (Value for Money) Recommendations for the London Borough of Lewisham – Year ended 31 March 2021

Ref	Category	Issue and Risk	Responsible Officer	Management Action
2	Financial Sustainability	Budget Monitoring reports should clearly articulate the underlying causes for the under delivery of savings plans. Actions taken to address under delivery or proposed alternative plans should also be detailed within the report.	Director of Finance	<p>The budget monitoring process monitors the service's financial position to date and forecasts this forward for the rest of the year in comparison to the budget. If the services are under/overspending against the budget this is reported as part of the monthly monitoring report which goes to EMT.</p> <p>Within this report there is a section focussed specifically on savings progress and where services are struggling to deliver savings; finance and the services work collaboratively to find ways to mitigate/deliver them in alternative ways. Any undeliverable savings which cannot be mitigated are included within the reported financial position for each service area with an explanation of what is causing them to not be delivered.</p> <p>A further section in the report covers financial risks which are not within the reported position but may materialise over the forthcoming financial year.</p> <p><b>Audit Response: Documentation of actions should be reported to Members</b></p> <p><b>Further Management Response:</b> The savings tracker goes to EMT monthly and Members at Periods 2, 4, 7 and 12. The budget address savings that cannot be delivered at all and need to be removed from the budget however the view is that the bulk can be delivered in 23/24. The Public Accounts Select committee have requested action plans to be shared and discussed at meetings during 22/23, which has in part led to a Member/Senior officer monthly meeting with regards to the Children's Social Care position.</p>
5	Financial Sustainability	Management have undertaken some sensitivity analysis when setting the 2021/22 budget. Management acknowledges that sensitivity analysis and scenario planning in terms of 'worst case' and 'stress testing' is an area which will need additional work going forward, to model the financial impact of Covid in the longer-term and ensure that plans are in place to make appropriate operational decisions to maintain financial stability.	Director of Finance	<p>The current MTFP process included pessimistic and optimistic cases which effectively stress tested the likely four-year timeframe in considering the budgetary framework and what level of cuts might / would be required.</p> <p>This will continue throughout the year through joint working between budget monitoring, risks and pressures identification, considering the longer term impact of these for future year budgets and therefore adjusting / refining the savings / cuts targets.</p> <p><b>Audit Response: Recommendation extended to suggest Council to consider applying scenario planning to annual budget as well as MTFP</b></p> <p><b>Further Management Response:</b> As part of (but separate to) the MTFP process, the Council will ensure that it undertakes scenario planning/testing for its current annual budget. This will include consideration of scenarios for: legislative changes, demand changes, inflation changes, policy changes. This will assist in the current year monitoring and forecasting and be used to inform the MTFP for possible changes to current year which need to be addressed permanently via the MTFP process.</p>

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8	Financial Sustainability	Given the uncertainty of the pandemic and current economic environment a routine re-profiling of the capital programme would be required. This needs to be complemented by detailed reporting on a scheme by scheme basis with detailed explanations explaining slippage that will assist with holding delivery managers to account for meeting project timescales.	Director of Inclusive Regeneration	Revised project highlight summary reporting will provide clearer detail of the performance of capital projects against time, cost and quality. Slippage against profile will be reviewed on a quarterly basis by RCPDB. <b>Audit Response: To be followed up in 2022/23 to ensure actions have been taken.</b> <b>Further Management Response:</b> A revised project highlight format has been devised and is reported against quarterly. Management information is drawn from these reports to assess risk to cost, quality and time across the programme. An annual capital reprofile process has been devised, where updates will be provided twice a year.
12	Improving economy, efficiency, and effectiveness	The Council should take a corporate approach to identify benchmarking good practice and co-ordinate its use within the services to challenge performance.	Assistant Chief Executive	As part of the Support for Leadership restructure, the role of the corporate Performance Team is to become more focused on strategic reporting, forward planning, benchmarking and good practice. The team is currently in transition towards moving to this model, working with service areas to take ownership over operational performance reporting so the corporate team can focus on strategic reporting and benchmarking. The team will work closely with the wider service areas and Strategic Transformation & OD Business Partners to support services in making use of performance and benchmarking information to identify and improve areas for change. <b>Audit Response: Partially – see 2021/22 recommendations</b>
13	Improving economy, efficiency, and effectiveness	For Lewisham Homes Limited and Catford Regeneration Partnerships Limited, a report on progress against action plans and mitigation strategies should be presented to Mayor and Cabinet on a more regular basis.	Director of Housing and Director of Inclusive Regeneration respectively	This will be actioned.  Progress against the CRPL business plan to be reported to Mayor & Cabinet on an annual basis and regularly reviewed by Regeneration and Capital Board. <b>Audit Response: Partially – see 2021/22 recommendations</b>