

Appendix B - Value for Money Audit 2022/23 – Progress on Recommendations

Recommendation	Findings/ Impact	Management Comment	By whom	Progress
Financial Sustainability				
<p>1. Increasing demand for homelessness related services, such as temporary accommodation, is increasing across the sector and therefore the Council may benefit from learning from other organisations who have successfully responded to the demand side challenge via prevention strategies.</p>	<p>The largest overspends in 2022/23 relate to children’s social care, education services and strategic housing which are all demand led services and common sources of pressure across the sector, as such not evidence of a lack of control specifically attributable to the Council. We have noted extensive actions being taken to respond to the issues within education and children’s social care and the cost drivers are well understood. The strategic housing pressure is a result of increasing demand for temporary accommodation, with demand outweighing supply the Council are being forced to fund expensive private provision to meet its statutory duties. The service is actively seeking to reduce numbers accommodated and is set to embark on the purchase of up to 300 new units for this type of accommodation. This will potentially reduce the numbers accommodated in expensive nightly paid accommodation. This seeks to address both the cost and supply challenges associated with the service but does not impact demand.</p>	<p>The Council recognises that there are certain demand led services where it, alongside the rest of local government, are struggling to remain within budget. The Council will look to implement a review of these services, which include temporary accommodation and homelessness, in the final quarter of 2023/24, in advance of the start of 2024/25. This process will include a comprehensive review of costs drivers and include external independent review, including learning from other local authorities who have proven successful in addressing demand and cost/supply challenges.</p>	<p>Executive Director for Housing, Director of Finance</p>	<p>Update November 2024: The Councils programme of undertaking whole service reviews to understand every stage of the customer journey in temporary accommodation, children’s social care, adult social care and supported transport (the key areas of historic high spend (overspend)) is well underway. This has included detailed benchmarking of the Councils statistical neighbours to objectively review our relative performance and cost effectiveness. The key lines of enquiry arising from these reviews will form the basis of projects or programmes of work to ensure that wherever possible spend can either be reduced or costs contained to existing levels. These reviews have included working with neighbouring boroughs at both finance and service levels, and the establishment of specific networks and working groups. The outcomes of these projects will be reported back via EMT and will feed into the Medium-Term Financial Strategy and Budget setting processes.</p>

<p>2. The Council should keep risks under review within the budget to ensure they are complete, and fully mitigated, incorporating emerging risks into financial plans as they arise.</p>	<p>The budget includes consideration of risks which have not been funded, due to insufficient funding to do so, and/or are difficult to quantify with any certainty. Officers continue to undertake work to fully assess and monitor these risks, have contingency included within the budget to respond as they emerge and have sufficient reserves. The risks identified are in line with sector wide risks that apply to Lewisham. Emerging pressures noted from the 2022/23 outturn and 2023/24 budget monitoring to date are children's social care and temporary accommodation within the strategic housing service, the Council are also in the process of bringing Lewisham Homes Ltd services back in house, we would suggest each of these areas carry potential unanticipated costs and therefore are additional risks to the budget.</p>	<p>The Council has a clear link between the risks articulated in the regular financial monitoring and the future financial planning and budgeting for the Council. Where risks are identified but as yet unquantified these are included within the risks section of the financial reporting, which is kept under monthly review. If there risks, then materialise as actual pressures these are quantified and reported within the forecast outturn position. The current year forecast outturn position is considered as part of the Medium-Term Financial Strategy, and any updates to this. Where it is clear and agreed that the pressures are persistent, and cannot be absorbed and mitigated within existing funding, these are considered for future years pressures funding. Where these pressures cannot be funded, this is considered as part of the budget gap and forms part of the savings target.</p>	<p>Director of Finance</p>	<p>Update November 24: Monitoring reports for periods 2, 3 and 4 have been written and reported. These have included quantified financial risks.</p> <p>Update May 24: The first monitoring of the 2024/25 financial position will be reported to EMT and M&C in June and July 2024. The key financial risks will be included in this and where possible quantified. These will feed into the MTFS which is being developed during this same period. The financial risks will continue to be reported in the monthly reporting to EMT and the quarterly reporting to Members, and as was done in November 2023 an update to the MTFS may be published as part of consideration of the 2025/26 budget setting process.</p>
<p>3. Given the track record of under-delivery against target the Council should review the approach to savings identification process by moving away from the roll forward approach to savings each year, towards a full refresh of the savings programme. Given the trend of savings under delivery each year consideration should be given to including an optimism bias adjustment to ensure it is realistic in its requirements.</p>	<p>In 2022/23, there were £25.8m of savings to be delivered included in the budget in order to breakeven, including £5.6m as yet undelivered from 2020/21, £8.4m undelivered from 2021/22 and £11.8m new savings for 2022/23. Savings are continually rolled forwards into each year's budget, with many undelivered for several years.</p>	<p>The Council has changed its approach to the reporting of legacy savings in 2023/24, recognising that these are in effect subsumed within the current forecast outturn position, and therefore the reporting of non-current items does not add value. In terms of future budgetary planning, the MTFS process identifies current pressures for funding, including if these are in effect unachieved prior savings, and therefore the process of identification of new savings is in effect a full refresh of the programme as a whole. Furthermore, the process for 2024/25</p>	<p>Director of Finance</p>	<p>Update November 24: As above, the savings put forward during 2023/24 for 2024/25 contained a deliverability risk factor to ensure that optimism bias was removed. Members then only agreed to take the net saving offered after the application of the deliverability factor. Undelivered and undeliverable savings from prior years were also unwound as part of the 2024/25 budget setting process rather than rolled forward. There remains the timing risk that some savings are deliverable but not within</p>

		includes consideration of deliverability risk, which is a proxy for optimism bias and allows for an adjustment to ensure that these remain realistic.		the original planned timescale and where these have slipped but remain ultimately deliverable these will be appropriately reported on.
4. To maximise the benefit of the 'deep dive' exercise into the pressures within children's social care the Council should seek to develop a detailed action plan which is monitored sufficiently regularly within the support of service heads and members. The Council should extend the deep dive process to cover other services with significant overspends.	<p>The Council has a detailed understanding of the causal factors associated with the pressures in Childrens Social Care and undertook a deep dive into the challenges, which was presented to members via the Public Accounts Select Committee in March 23. This information is useful to help members and officers in understanding the drivers of cost and demand, but no action plan to address the findings has been observed.</p> <p>The deep dive approach to investigating the causal factors of the pressures in Childrens Social Care has been effective in clearly identifying where the Council should target its actions to address continued overspend and savings under-delivery. In 2022/23 and 2023/24 to date the Council has also experienced significant overspends in Adults Social Care, Education Services and Strategic Housing for which deep dives have not yet taken place.</p>	The Council recognises the significant value of the early 'deep dive' exercise into children's social care and that this can and will be expanded upon to ensure that the process includes and robust and thorough review of activity data, benchmarking, future cost modelling and financial forecasting, with relevant sensitivity analysis applied to this. In addition to this it should include independent review and learning from best practice within the sector (see response to recommendation 1). The outcome of these 'deep dive' exercises will be for a detailed action plan and an associated programme of work to deliver the identified change and transformation necessary to ensure that the cost of delivering the services delivers value for money. The Council will be undertaking these 'deep dives' into children's social care, temporary accommodation, and homelessness, and its HRA following the return of this responsibility from Lewisham Homes.	Director of Finance	Update November 24: See the management response to recommendation 1. The Councils programme of undertaking whole service reviews to understand every stage of the customer journey in temporary accommodation, children's social care, adult social care and supported transport (the key areas of historic high spend (overspend)) is well underway. This has included detailed benchmarking of the Councils statistical neighbours to objectively review our relative performance and cost effectiveness. The key lines of enquiry arising from these reviews will form the basis of projects or programmes of work to ensure that wherever possible spend can either be reduced or costs contained to existing levels. These reviews have included working with neighbouring boroughs at both finance and service levels, and the establishment of specific networks and working groups. The outcomes of these projects will be reported back via EMT and will feed into the Medium-Term Financial Strategy and Budget setting processes.
5. The Council should continue its iterative improvement journey in relation to risk management by specifically:		Risk management software rollout began in October after testing and population that took place over the summer. We will aim to refresh the risk management strategy in 2024/25 with specific guidance	Head of Assurance	Update November 24: The Council continues to improve its risk management approach. We now have officers throughout the Council conversant with Pentana Risk and

<ul style="list-style-type: none"> • Including additional guidance (or link to additional guidance) within the Risk Management Strategy to assist users in applying the strategy in practical terms within the new software toll the Council has implemented. • Linking risks to corporate objectives, completing the approach to responding to each risk within the risk register. Ensuring gaps in information are completed, there is a direction of travel of each risk and ensuring completeness of controls and assurances information. • Consistently including details of changes in risks since the prior period within each report to Audit and Risk Committee to allow members to understand the impact actions are having on the risk profile of the Council. • Ongoing review of the risk register to ensure completeness of risks, ensuring emerging risks are captured. • Liaising with Internal Audit to ensure their Audit Plan is sufficiently diversified and 		<p>related to the software and its use at the Council. We will include detailed information about each risk, including on assurance on controls, as the approach develops in the coming months including reporting that information and its change to the Audit and Risk Committee. Risk registers (both corporate and directorate) will be regularly reviewed to a set schedule, typically each quarter. The Head of Assurance who leads risk management also serves as Head of Audit, ensuring risk knowledge informs the audit plan. On the specific issue of schools' audits, the proportion of the audit plan covering that area is based on historic expectations on audit frequency coupled with the number of maintained schools: Lewisham has more local authority schools than any borough in London except Barnet. Nevertheless, the Head of Assurance recognises the level of school audit is not proportionate to risk and the 2023/24 reflects an interim position intended to complete the current cycle. The 2024/25 audit plan will include school audit coverage more proportionate to the risk.</p>	<p>using guidance embedded in the software to help with identifying and documenting risk. We further plan in 2024/25 to recruit into a role that will further help train and support officers. All risks are scored in terms of their impact on the Council's corporate objectives. Each corporate risk has a target indicating desired direction of travel, with automatic audit trail in the software tracking its actual change over time. That change is also recorded in reporting of the register to all audiences, including Members. All risk registers are reviewed periodically at appropriate levels (e.g. corporate register at EMT, directorate registers at DMT) plus annual review through service planning. The register is kept 'live' in between reviews, so officers can add items for consideration as they arise or change. The internal audit plan continues to diversify, including specifically moving to a risk-based approach for schools' audit that has proportionately increased coverage of corporate risks.</p>
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<p>reflective of risks in the risk register.</p>				
<p>6. The Council should ensure that internal processes to respond to complaints are effective therefore limiting the need for input by the Local Government and Social Care Ombudsman. Where complaints are raised by the Ombudsman the Council should review its arrangements for liaising with them to ensure responses to their recommendations are timely.</p>	<p>A total of 31 investigations for complaints in the period between 1 April 2022 to 31 March 2023 were undertaken by the Ombudsman, of which 68% were upheld, meaning action was required to resolve the complaints following investigation that was not initially identified as required or addresses by the Council's own processes. The Ombudsman's work resulted in a total of 16 compliance outcomes. They have raised concerns via a letter to the Council that in 4/16 of the cases recommendations were not completed within the agreed timescales, delays in apologies being provided to complaints and lack of explanation for all cases where there were delays. This was the third time the Ombudsman had to raise such concerns with the Council. The Council should review its arrangements for liaising with the Ombudsman to ensure responses are on time and comply with the agreed recommendations.</p>	<p>We have identified this as an area of improvement and put in place measures to ensure that is effected. This includes the process of tracking all determinations to ensure that actions are completed. In addition to this we continue to distribute monthly complaints reports to the Directors of all service areas so that performance can be discussed with their respective teams. We will establish contact with the Ombudsman so that we can take advantage of any additional guidance or training that they issue. The Council has also introduced a quarterly Lessons Learnt report which is distributed to all managers so that they can understand the key themes and trends to ensure that they respond accordingly to continuously improve in their response and treatment of the complaints process.</p>	<p>Executive Director for Finance, Digital and Corporate Resources</p>	<p>Update November 24: The Council has completely refreshed and revised its practices, policies, and processes to reflect the removal of stage 3 complaints in line with the Ombudsman's good practice guidance. This was agreed at EMT in February 2024, has been communicated and rolled out, with a programme of training delivered over the summer.</p>
<p>7. The Council should ensure that the most up to date versions of key policies and procedures, such as Whistleblowing Policy, are available and easily accessible to staff to ensure they can be followed consistently across the Council.</p>	<p>In 21/22 we confirmed that a revised Whistleblowing Policy was in development pending completion of internal consultation and approval. In 2022/23 it has been reviewed by Senior Officers at the Assurance Board and presented to the internal staff Change Network on 26 October 2022. However, the Council still retains the October</p>	<p>The policy on the Council's (external) website is different in scope to the October 2022 policy in that it expressly aims at supporting members of the public to raise issues as distinct from an internal audience such as staff and contractors. Nonetheless, we recognise that having two similarly named policies accessible risks confusion and will review the</p>	<p>Head of Assurance</p>	<p>Update May 24: The Council's website now only includes the current whistleblowing policy (https://lewisham.gov.uk/mayorandcouncil/complaints-and-feedback/whistleblowing).</p>

	2017 policy per its website which is outdated and outside of our expected timeframe for review.	suitability and promotion of the 2017 policy in early 2024.		
<p>8. The Council continue its ongoing commitment to improving non-financial performance reporting via the Corporate Performance Report and dashboard by:</p> <ul style="list-style-type: none"> • Where within the Council's control ensuring each KPI has a target to gauge performance against. • Reducing the time lag in information being reported to ensure reliable decisions can be made using the information. • Ensuring a clear owner for each KPI is identified to aid accountability where performance is below target. • Continuing to present the information formally to members and consider doing so alongside financial reporting so that decisions in relation to non-financial performance can be assessed concurrently. • Ensuring consistency of directorate level metrics with the council wide priorities and KPIs to ensure directorate level activity contributes to council wide improvement 	<p>In 2022/23 the Council has developed a centralised online dashboard for monitoring non-financial performance metrics and this is made available publicly via the website, after oversight and approval by members. The tool is in continual development and is expected to evolve, as such the current version is not a finished product and provides the opportunity for further refinement. At the time of undertaking our review in October 2023 quarter 3 data for performance was being reported externally and therefore a 10-month time-lag, within this some information for individual targets is also outdated from 2020/21 and 2021/22 in some instances. Quarter 4 data has been collated and presented to Mayor and Cabinet in September 2023, it was approved and expected to be uploaded into the public dashboard imminently. Although the time-lag is reducing this still limits the benefit of the data to decision makers. Observation of the tool has also noted that not all metrics include a target level or clear owner for each KPI which could aid accountability. Individual directorates continue to have their own performance management metrics, which are reported in the Directorate</p>	<p>Since publication LBL has published Q3 and Q4 for 22/23 on our website and works with areas to include KPI's on their service plans. KPIs that are reported have owner's and performance data is reviewed at DMT's and EMT prior to Mayor and Cabinet</p> <p>The Performance and Insight team has demonstrated notable progress in fostering evidence-driven decision-making capabilities. Each iteration further refines the report, and while our roadmap encompasses a range of objectives for improvement, we remain steadfast in our commitment to upholding the principles of integrity and transparency.</p> <p>The Corporate Performance team has prioritised addressing time-lag issues. As of November 2023, the team is poised to release data for two quarters, Q1 2022/23 and Q2 2022/23, and the necessary approvals are currently being sought. The performance team meticulously tracks a broad spectrum of metrics across all directorates and conducts monthly reviews with senior leadership to proactively address any identified concerns. This proactive approach cultivates a culture of robust performance management within the council. Furthermore, we collaborate closely with Organisational Development teams to design and implement mandatory corporate performance training modules. These modules equip managers with a comprehensive understanding of their</p>	<p>Director of Digital and IT</p>	<p>Update November 24: The Q3 for 23/24 is the latest performance indicators to be published on external website, Q4 was due to go to Major & Cabinet for approval to publish in June but was delayed due to the general election being called. It is anticipated that the 23/24 Q4 report will be approved and published shortly with the 24/25 Q1 report to follow.</p> <p>Update May 24: The Q3 for 23/24 is the latest performance indicators to be published on external website, Q4 is due to go to Major & Cabinet for approval to publish on the 03/06/24 this may be delayed now due to general election being called. To enable the continued improvement of the authority's approach to performance manage a new role of Director of Strategy, Transformation, Equalities and Performance reporting to the Chief Executive is being introduce. The role will provide the Council with the capacity to deliver the transformational change that it needs. The focussed capacity in this area will provide the ability to deliver work which will significantly alter the way the Council delivers services and will be responsible for large-scale change projects with substantial metrics related to savings</p>

<p>and objectives as opposed to working in silo.</p>	<p>Management Reports internally, but these are not necessarily linked to corporate priorities as the Council-wide KPIs are.</p>	<p>roles and responsibilities in leveraging performance data. Additionally, managers gain insights into defining appropriate outcome based KPIs for their teams and establish clear expectations for performance across the organisation. This ensures that performance is consistently defined, measured, and addressed throughout the organisation.</p>		<p>attached to them. The role will take on responsibility for corporate performance.</p>
<p>9. The Council should ensure there is regular oversight by members of the mitigation plan, currently in development, to respond to the overspends in Education Services and the DSG deficit, as a standalone item via inclusion within the newly developed KPI reporting, to ensure that the embedding of actions can be progressed. In order to ensure KPI reporting within the Corporate Performance report is most effective in monitoring the cost drivers within education Services the Council should consider including metrics focus on these as well as education outcomes.</p>	<p>The Education Service is currently working towards a mitigation plan with the Department for Education (DfE) as part of the Delivering Better Value support package, to focus on reducing costs whilst maintaining service quality. This is in development and time lag is expected before the actions are fully embedded and able to impact the current high costs effectively.</p>	<p>The Council has a number of forums where performance of services is reported, this includes the Children and Young People Select Committee, liaison meetings between officers and the Cabinet Members for Finance and Strategy and Children and Young People, quarterly financial monitoring to Mayor & Cabinet and the Corporate Performance Report. The outcomes of the DfE Delivering Better Value programme and the mitigation plan will be reported and tracked to ensure that there is appropriate oversight of this.</p>	<p>Executive Director of Children and Young People</p>	<p>Update November 24: The Council has successfully secured £1m of grant under the Delivering Better Value (DBV) programme and has started implementing the mitigation plan developed under this. The oversight of this will be via both EMT reporting, reporting to DfE and then also member oversight via scrutiny committees and through regular financial monitoring of the DSG position through quarterly reporting to PASC and M&C.</p>
<p>10. The recent failure of the modular home project at Home Park and Edward Street should serve as a warning for the Council to strengthen the consideration of risk within capital, contract and procurement decision making, specifically the Council should:</p> <ul style="list-style-type: none"> Review and strengthen due diligence arrangements at the initial stages of contract procurement to ensure they 	<p>Following a competitive process, Caledonian Modular Ltd (CML) were selected as the main contractor for the modular build projects at Home Park and Edward Street in August 2020. The homes used modern construction methods and were seen to carry a higher level of risk than traditional builds due to this being a developing market. Members approved the plans based on due diligence,</p>	<p>The recent failure of a contractor is reflective of the wider economic climate in the UK, and not specific to the Council's processes and practices. However, given the increased risk of contractor failure the Council will review its processes and procedures as part of a lessons learnt exercise. This will include contractor due diligence, contract provisions, procurement and contract management guidance and procedures. The Council regularly reviews</p>	<p>Director of Finance and Director of Inclusive Regeneration</p>	<p>Update November 24: For every contract let there is regular financial monitoring through the use of automatic credit rating reports and alerts. In addition, there is further financial sustainability and stability reviews where this is risk assessed as being required. Whilst the economic outlook is improving and inflation has returned to almost target levels, there remains fragility within</p>

<p>capture information in relation to key sub-contractors as well as the main contractor.</p> <ul style="list-style-type: none"> • Ensure ongoing financial and credit checks take place at key points of the contract to enable the Council to take action at an earlier stage of the contract should there be evidence of financial difficulty of a contractor, with the caveat that the ability to do so would be dependent on break clauses and penalties in the contract. • Review procurement and contract guidance to ensure that the performance bonds, or other forms of security, penalty or remediation are set at an appropriate level in each contract, reflective of the risk being entered into. • Review its existing contract and procurement procedures such that the consideration of bespoke designs is made alongside the wider considerations of contingencies in the event that the project was to fail and the Council need to act to recover costs/ remediate. 	<p>including credit checks, and evidence of similar builds under the same company at other public sector bodies. The decision was made, and the project initiated, during a time of economic downturn and financial challenge nationally as a result of the pandemic. As such the contractor was placed into administration in March 2022 due to the impact of rising interest rates, inflation and sub-contractor issues. The Council has undertaken option appraisal to determine the next steps for the project, which was 90% complete when the failure occurred. Analysis and consultation with officers has determined the preferred course of action to be to terminate the project, write off the costs to date and recover costs, where possible. To date recovering costs has been unsuccessful as the Council has been unable to sell or repurpose the homes due to their bespoke design. The Council is currently storing the homes, at a cost, and therefore should they be unsuccessful in selling or repurposing the homes they will be disposed of by the end of 2023 to limit the ongoing additional costs to the Council.</p>	<p>these, and the introduction of the new Procurement Act 2023 will necessitate a full review of which this will form part of.</p>		<p>supply chains and the market generally.</p> <p>Careful consideration and the application of necessary protections such as parent company guarantees and performance bonds are utilised for the majority of construction contracts and these are kept under review during the contract duration.</p> <p>The procurement service is working with legal to review its suite of procurement documentation in advance of the new procurement regulations coming into force.</p>
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<p>11. Upon the transfer back in-house of housing management and maintenance services from Lewisham Homes Ltd the Council should ensure that it has adequate arrangements in place to respond to and monitor issues that it will be inheriting upon transfer, relating to the 2,400 homes considered to have damp and disrepair issues. Specifically, the Council will need to ensure that the legacy Repairs Implementation Plan is effectively monitored through relevant governance arrangements, such as Housing Transformation Board, and that the Council's KPI's within the Corporate Performance Report and Dashboard are reviewed to include metrics relevant to required repairs.</p>	<p>Prior to the decision to transfer Lewisham Homes services in-house being approved it had been noted, via a recent stock condition survey, that 2,400 homes within the Council's stock portfolio have been identified as suffering from some degree of damp or disrepair. A Repairs Implementation Plan was developed between the Council and Lewisham Homes prior to transfer where the company committed to undertake a target of 1,000 "MOT" reviews to identify work needing completion to improve the condition of the housing stock. This was previously being monitored and measured by Lewisham Homes but upon transition the plan remained in place, but we have not observed this being reviewed or challenged via the Council governance arrangements due to the focus on transitional arrangements. It is expected that the newly established Housing Transformation Board will revisit the plan to monitor performance shortly after the full transfer of service has been achieved.</p>	<p>Damp and disrepair remain a key priority for the Housing Directorate and the Council as a whole. The Housing Transformation Programme Board (HTPB) has been set up to ensure that there are the right resources, programmes and plans in place to be able to deliver the most efficient and effective housing service to residents. This Board will oversee and prioritise the programme of change needed to meet the objectives set within the Housing Services Strategy, and this includes damp and disrepair. The governance structure for this Board and its reporting will ensure that there is sufficient oversight to achieve its objectives. The Corporate Performance Report and Dashboard will be reviewed to include relevant performance metrics where this information is no longer reported by Lewisham Homes.</p>	<p>Executive Director for Housing</p>	<p>Update November 24: There is a dedicated Repairs Project Board which meets regularly and which reports into the Housing Transformation Programme Board which meets every six weeks. The reporting includes a full set of performance metrics which include, levels of jobs raised, outstanding jobs, the speed of closure of works as well as any backlog.</p>
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