

Appendix A

Value for Money Audit 2022/23 – Management Responses

Improvement Recommendation 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 also successfully responded to the demand side challenge via prevention strategies
Summary findings	The largest overspends in 2022/23 relate to childrens' 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 childrens' 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.

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.

Improvement Recommendation 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
Summary findings	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 childrens' 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.

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.

Improvement Recommendation 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.
Summary findings	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.

Management ■

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 includes consideration of deliverability risk, which is a proxy for optimism bias and allows for an adjustment to ensure that these remain realistic.

Improvement Recommendation 4

To maximise the benefit of the 'deep dive' exercise into the pressures within childrens' social care the Council should seek to develop a detailed action plan which is monitored sufficiently regularly with the support of service heads and members. The Council should extend the deep dive process to cover other services with significant overspends.

Summary findings

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.

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 experience significant overspends in Adults Social Care, Education Services and Strategic Housing for which deep dives have not yet taken place.

The Council recognises the significant value of the early 'deep dive' exercise into childrens 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.

Improvement Recommendation 5

The Council should continue its iterative improvement journey in relation to risk management by specifically:

- 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 tool 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 that their Audit Plan is sufficiently diversified and reflective of risks in the risk register

Summary findings

The Council reviewed and refreshed its Risk Management Strategy in 2022/23 and the Strategy, covering 2023-27, was approved by the Council's Executive Management Team in late November 2022 and subsequently presented to the Audit Panel in March 23. This was implemented before the Council acquired its new risk management software in May 2023.

Updates have been made to the format of the risk register to include responses aligned to the 4T's within the new framework (tolerate, transfer, treat, terminate). Details of controls and assurances and linking risks directly to corporate priorities is not yet complete, nor does the tool include the direction of travel for each risk. This would give more oversight and transparency to members with a brief statement explaining the reasons why risks is increasing, decreasing or remaining static. While the new risk management software is being updated the Council are reporting risks in the previous tabular format as well as a summary from the software itself, the summary format does not present all of the key information members require with which to understand and make decisions based on risk.

From quarter 4 the Council included, alongside the risk register, details of changes in risks since the last report. This is useful to demonstrate to decision makers the impact external factors, or Council implemented responses are having.

Two potential emerging risks that we may expect to see are the risks associated with the in-house transfer of Lewisham Homes and the impact of the imminently expected Ofsted re-inspection of Childrens Services. The Council has acknowledged the Lewisham Homes risk within the quarter 4 reporting and this is expected to be included in a later iteration

Of the 31 internal audits 15 related to individual schools as opposed to council-wide services. There are no significant Ofsted concerns regarding schools associated with the Council, there is a good track record of Internal Audit ratings from these audits and there are no significant risks in the risk register related to schools as a whole or individually.

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 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.

**Improvement
Recommendation 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 to the Ombudsman the Council should review its arrangements for liaising with them to ensure responses to their recommendations are timely.

Summary findings

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 addressed 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 complainants and lack of explanations 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

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.

**Improvement
Recommendation 7**

The Council should ensure that the most up to date versions of key policies and procedures, such as the Whistleblowing Policy, are available and easily accessible to staff to ensure they can be followed consistently across the Council.

Summary findings

In 21/22 we confirmed that a revised Whistleblowing Policy was in development pending the 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 2017 policy per its website which is outdated and outside of our expected timeframe for review.

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 suitability and promotion of the 2017 policy in early 2024.

The Council continue its ongoing commitment to improving non-financial performance reporting via the Corporate Performance Report and dashboard by:

Improvement Recommendation 8

- 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 the financial impact 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 and objectives as opposed to working in silo

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.

Summary findings

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 and from 202/21 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 a 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 Management Reports internally, but these are not necessarily linked to corporate priorities as the Council-wide KPIs are.

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

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.

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 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.

Improvement Recommendation 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 stand alone item or 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.

Summary findings

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.

Currently, the KPIs within the Corporate Performance Report focus on education outcomes, which are important, however the cost drivers are not considered.

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.

The recent failure of the modular home project at Home Park and Edward Street the Council 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:

- Review and strengthen due diligence arrangements at the initial stages of contract procurement to ensure they capture information in relation to key sub-contractors as well as the main contractor.
- Ensure ongoing financial and credit checks take place at key points in 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 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 were to fail and the Council need to act to recover costs/remediate.

Improvement Recommendation 10

Summary findings

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, 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.

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 these and the introduction of the new Procurement Act 2023 will necessitate a full review of which this will form part of.

Improvement Recommendation 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 the 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.

Summary findings

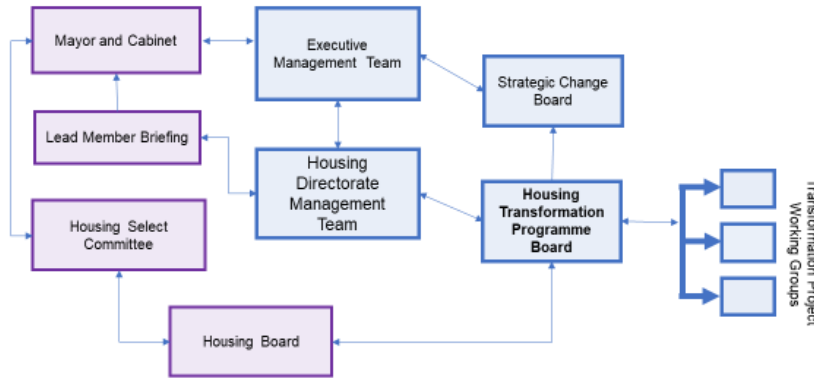
Prior to the decision to transfer Lewisham Homes services in-house being approved it had been noted, via a recent stock condition survey, that 2,400 homes within the Council's stock portfolio have been identified as suffering from some degree of damp or disrepair. A Repairs Implementation Plan was developed 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 been 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 services has been achieved.

Damp and disrepair remains 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.

Housing Transformation Programme Board Governance Structure



The Corporate Performance Report and Dashboard will be reviewed to include relevant performance metrics where this information is no longer reported by Lewisham Homes.