

Appendix A- Annual Governance Statement 2023/24

Executive summary

Like other local authorities both regionally and nationally, the London Borough of Lambeth continued to be impacted significantly in 2023/24 by the instability in the economy and the consequent ongoing cost of living crisis. However, governance arrangements remained resilient.

The council through its senior management structure, is satisfied that overall good governance arrangements are in place, and we propose over the coming year to take steps to address areas of weakness which will strengthen our mandatory functions and support our Borough Plan.

Management Board is clear regarding the need to identify further areas for improvement and ensure that these are implemented at the earliest opportunity. A new target operating model, management structure, and corporate delivery plan were put in place during 2023/24, and it is expected these changes will further enhance assurance and governance arrangements during 2024/25.

Introduction and Acknowledgement of Responsibility

The London Borough of Lambeth is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. To achieve this the council must ensure that it has a governance framework that supports a culture of transparent decision making.

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

Operating Environment

In setting out this statement, it is important to reflect on the wider context within which Lambeth Council operates and in which services are delivered. Local government faces unprecedented challenges, with the impact of high inflation, increased demand and tight government funding settlements placing major pressure on service budgets across the council. Across the sector, dozens of councils have been subject to intervention from the Department for Levelling Up, Housing and Communities, with widespread agreement that the drivers for this are the inflationary pressures and falling government funding that councils receive. The House of Commons Levelling Up, Housing and Communities Committee report into “Financial distress in local authorities” states that “the financial crisis that local authorities are encountering comes after significant reductions in local authorities’ spending power which has itself coincided with increasing demand for their services and inflationary pressures driving up costs.”

In Lambeth, these pressures are not only felt in relation to contract inflation and increased costs which are driving directorate overspends. They are also reflected in major demand pressures in areas like temporary accommodation and children’s social care, increases which stretch the availability of resources like properties and placements and drive significant overspends in the council’s General Fund. At the same time, there is widespread recognition that the self-financial model for Housing Revenue Accounts is unsustainable due to increased regulatory burdens to improve property condition, inflationary cost increases and

government decisions to restrict rental income. This places significant pressure on the HRA in Lambeth, as the council is one of the largest council landlords in the country with an ageing stock requiring increased levels of investment. These challenges restrict investment decisions and increase the need to find budget savings in services to offset these pressures.

The Principles of Good Governance

The CIPFA/SoLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out below (Appendix B sets out in more detail how the council is meeting these requirements in practice).

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within
- F. Managing risk and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Key Elements of the council's Governance Framework

The governance framework at the London Borough of Lambeth comprises the systems and processes, culture, and values which the council has adopted to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA / SoLACE framework (2016). This is updated each year and evidence actively collated and assessed for compliance. The Code will be updated as necessary in 2023/24 following changes to the senior management structure. Compliance with the revised code will be reported to the Corporate Committee during the year.

The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high-profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report, 'Addressing cultural and governance failings in local authorities: lessons from recent interventions'.

For good governance to function well, the CIPFA Advisory Note, highlighted the need for organisations to encourage and facilitate a high level of robust internal challenge through strengthening audit committees and internal challenge. In the London Borough of Lambeth, the Corporate Committee exercises these duties.

Further, the CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, with the intention of improving the financial resilience of organisations by embedding enhanced standards of financial management. Although the implementation of the FM Code was non-mandatory only from 2021-22, the council continues to assess compliance with the Code. The council will be establishing a yearly review of compliance against the FM Code to be included in reporting to the Corporate Committee. Where appropriate, these reviews and audits will be conducted independently.

The governance framework incorporated into this Annual Governance Statement has been in place for the year ended 31 March 2024 and up to the date of the approval for the statement of accounts.

The Council's governance framework is outlined below.

Overview of the council's Governance Framework

Overview and Scrutiny

- Scrutiny is used to hold public-service providers in Lambeth to account and help improve the public services in the area
- Scrutiny committee review council policy and can challenge decisions
- They scrutinise the decisions of cabinet and performance of the council and have a key role in advising on the development of council policy

Council, Cabinet and Leader

- Provide leadership, approve the budget, develop, and set policy
- Provide oversight of the council's strategic financial management and performance (role of the Cabinet Member for finance)
- Approve the constitution which sets out how the council operates
- Agree Borough Plan priorities, developed in consultation with residents and stakeholders
- Manage the delivery of agreed council priorities, strategies, and policies

Corporate Committee

The council's Audit and Corporate Governance Committee has responsibility for non-executive functions other than planning, licensing, pensions, and standards. It meets approximately five times a year and receives reports on the regulatory framework as follows:

- Annual Governance Statement
- Statement of accounts and external auditor's opinion
- External audit plan
- Internal audit plan
- Internal audit update
- Principal risks
- Counter-fraud; and
- Treasury management (quarterly)

The Committee may also consider additional reports on any of those functions should it consider it necessary to provide the assurance sought. Its terms of reference, structure, composition, and work programme have been developed with reference to the CIPFA Position Statement and published guidance Audit Committees – Practical Guidance for Local Authorities and Police (2013)

Decision Making

- All decisions are made in compliance with law and council constitution
- Reports and papers are published on council website
- Decisions are recorded on the council website

Risk Management

- Risk management strategy and policy set out how risks are identified, assessed, and mitigated
- Risk Registers include corporate, strategic, and operational risks
- The council has an agreed risk appetite protocol which defines the amount and type of risk the council is willing to accept

Chief Officers Team

The Corporate Director of Finance is the council's appointed Chief Financial Officer in accordance with section 151 of the Local Government Act 1972. The Director of Legal and Governance is the council's Monitoring Officer. These are statutory posts, responsible for delivering and overseeing the financial management and governance of the council. The Chief Financial Officer and the Monitoring Officer are both members of the Corporate Management Board.

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The London Borough of Lambeth expects the highest conduct and behaviour from all its elected and co-opted members and officers. The council's policy and decision-making are managed and controlled within a strong, well-established framework and a major feature of this is the council's written Constitution.

The council's Constitution sets out how the council operates and how decisions are made. This includes detail about committees and their composition, their powers and procedures, financial processes, rules of procedure and legal matters. The council regularly reviews and matches its governance structures and processes to council-wide priorities to ensure the principles of good governance are applied throughout the council (the constitution was last reviewed and reported to full council on the 26th of April 2023). The Constitution outlines the officer and member code of conduct. The council's monitoring officer oversees all member code of conduct issues with the Independent Person where necessary.

All changes to the constitution are prepared by Democratic Services, reviewed by Legal and then submitted to the Constitution Working Group (CWG). The CWG is an informal body made of senior politicians from the Administration and Majority Opposition, and officers from across the council chaired by the Chief Whip. The CWG meet regularly throughout the year to review the constitution and give the council confidence that its constitution remains robust, up to date and compliant with all relevant legal requirements. [Read the Constitution.](#)

It is a requirement under the Localism Act 2011 that the Council as a public sector organisation appoints at least one Independent Person to work with the Monitoring Officer on standards matters. The council completed its most recent recruitment exercise and appointed two Independent Persons in 2020/21. Since then, Lambeth's Independent Persons worked closely with the Monitoring Officer and Standards Committee on aspects of the Committee's work in relation to wider ethical and governance issues affecting the council, providing an independent perspective. They are also invited to attend meetings of the Standards Committee.

The council has in place a 'Whistleblowing Policy' (Duty to Act) which reflects the legal framework and obligation on the council to enable staff to raise concerns which may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees, or the environment. This procedure sets out the action that individuals should take to report a concern and the action to take if, in extreme circumstances, a matter is not addressed or if they feel that raising the matter internally could result in evidence of malpractice being concealed. [Read the Whistleblowing procedure.](#) (last updated in January 2023).

The council has a two-stage process for handling complaints, supported by the Corporate Complaints Policy, which sets out guidance on logging, handling, and monitoring complaints

and for responding to enquiries from the Local Government & social Care Ombudsman (LGSCO), and the Housing Ombudsman Service (HOS). The aim of the process is to resolve customer complaints, and drive service improvement across the council by highlighting good practice and identifying lessons learnt from complaints. If the customer feels their complaint has not been resolved after the second stage, they are able to escalate their complaint to the Ombudsman for an independent review. Our complaint policy can be found here. [Lambeth Corporate Complaints Policy - 1 April 2024](#)

In recognition of the importance of improving the customer experience, resolving customer complaints, learning lessons, and evaluating performance, the Corporate Complaints Unit (CCU) continues to focus on customer satisfaction, training, and improving performance. Support and guidance are provided to services to ensure that we remain a listening organisation, and new internal process have been put in place to aid complaint resolution and to improve the customer journey, with a particular focus on Housing Services

The number of complaints received in 2023/2024 has continued to increase considerably which has significantly impacted performance, with a 39% increase in the volume of local resolution complaints, but a significantly larger 82% increase in the volume of final review complaints, and a 117% increase in the number of ombudsman complaints. This increase in escalation is a clear indication that there is less customer satisfaction at the initial stage of our complaint process and greater effort is required to resolve complaints at the earliest opportunity. We also promoted our own arbitration scheme for housing cases an alternative mechanism for customers, offering compensation that mirrors the levels that could be awarded if escalated to the Housing Ombudsman Service (HOS).

There was a more moderate 14% increase in the volume of Members Enquires (MEs) received during 2023/2024 , and a 9% increase in the volume of Subject Access Requests (SARs) Please note ME's are not exclusively complaints nor necessarily about the Council).

The council has a clear process for managing Freedom of Information (FOI) and Subject Access Requests (SAR). The aim of the process is to promote transparency and deliver an efficient approach to handling requests. As part of our aim to improve transparency, we have continued to publish frequently requested FOIs and provide easier access to this information for our customers and continue to develop this page to further improve transparency.

To improve the quality of FOI responses, directors are required to sign-off all responses and challenge is provided by the Corporate Complaints Unit where needed to ensure a high-quality response. Management Board have strategic oversight, receive regular performance reports on compliance, as well as receiving ad hoc updates in response to issues or queries. Our FOI guidance can be found here. <https://www.lambeth.gov.uk/about-council/privacy-data-protection/freedom-information>

In, 2023/2024 we received 2445 FOIs which is a 10% increase from 2022/23 when we received 2,217 FOI requests, however FOI performance was 72% which is beneath our KPI of 90%.

B. Ensuring openness and comprehensive stakeholder engagement

The council is committed to make sure that people have a say and stake in the decisions that matter. The Lambeth Borough Plan, Lambeth 2030: Our Future, Our Lambeth states that "We will be a listening and open borough that recognises and values our community voices". The views of residents and service users are at the heart of the council's service delivery arrangements and are actively sought by the council through its consultations, a wide range of engagement forums and through the annual Residents Survey.

In March 2023, Cabinet approved Lambeth 2030: Our Future, Our Lambeth, setting out our shared vision for the future and three bold, mutually reinforcing ambitions: 1. Making Lambeth Neighbourhoods Fit for the Future, 2. Making Lambeth One of the Safest Boroughs in London, and 3. Making Lambeth A Place We Can All Call Home – tied together by a golden thread of Equity and Justice.

The Borough Plan effectively sets out the strategic direction for the organisation over the next 6 years between now and 2030. Informed by unprecedented global and local events that occurred over the lifecycle of the previous Borough Plan, a purposeful approach was made to longer term planning – looking ahead to the borough we want to live, work, and visit in 2030.

Shaping [Lambeth 2030](#) with communities and partners was at the centre of the plan. Everyone who lives, visits and works in the borough was invited to share what makes Lambeth unique and why it is important to them, what they would like the future Lambeth to look and feel like and the challenges they are facing now and anticipate on the road to 2030.

Lambeth 2030 sets out a borough commitment to work in partnership and to have a continued dialogue with residents, business, partners and local organisations. Openness and engagement are part of our approach to delivering Lambeth 2030. This is also reflected in the establishment of two new strategic partnerships: the Lambeth 2030 Partnership, which is now established and oversees the delivery of our ambitious Borough Plan; and the Lambeth United Equity and Inclusion Partnership, which will lead our work to become a borough of equity and justice.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

This is a significant moment in time for us all. As we continue to adapt to the post-covid landscape, we face the harsh realities of the cost-of-living crisis within the context of sustained uncertainty of the future of public sector finance. We know that the impacts of climate change, London's housing crisis, and the challenges of poor health and wellbeing are deeply impacting our communities and are changing the way we live.

As [Lambeth 2030](#) is an overarching strategic borough-wide plan, it is our opportunity to equip communities and collectively overcome these obstacles with a focus on the distinct impacts being felt by those who live, work and visit the borough.

Therefore, Lambeth 2030 is a vision for the best borough we can be by 2030. That is a borough with social and climate justice at its heart.

As we look towards the future – one that allows each of us to thrive – we are taking a focussed approach and positive action to build a stronger borough that delivers for everyone and to tackle these challenges head on.

We have identified three ambitions for Lambeth which are intentionally tied together through the Lambeth Golden Thread – Equity and Justice, with a relentless commitment to tackle inequality at the root cause, focusing on what matters most to our residents.

- 1 – Making Lambeth Neighbourhoods Fit for the Future
- 2 – Making Lambeth One of the Safest Boroughs in London
- 3 – Making Lambeth A Place We Can All Call Home

Informed by consultation to define our ambitions, we have shaped our 2030 outcomes through the lens of creating a better borough for everyone and what will offer sustainable

economic, social and environmental benefits.

Our Lambeth Outcomes:

A Borough of Equity and Justice.

By 2030:

- Lambeth will have lower levels of deprivation, with fewer children growing up in poverty.
- Lambeth will tackle the structural inequalities adversely impacting Black, Asian and Multi-Ethnic residents by being a borough of anti-racism.
- Lambeth will be a borough of progress, working with LGBTQ+ communities and disabled residents to tackle the biggest challenges they face.

Our 2030 Ambition: Making Lambeth Neighbourhoods Fit For The Future

By 2030:

- Lambeth will be a Net Zero Borough.
- Lambeth residents will experience good health and wellbeing, with an improved healthy life expectancy for those with the poorest outcomes.
- Lambeth will be a sustainable and healthy borough, with more accessible and active travel options for everyone

Our 2030 Ambition: Making Lambeth One Of The Safest Boroughs In London

By 2030:

- Lambeth will be a safer borough for everyone, with a significant reduction in serious violence against young people.
- Lambeth will be safer for women and girls, and all residents experiencing gender-based violence will be able to access support.
- Lambeth will be a borough of prevention, tackling the root causes of violence to protect our communities

Our 2030 Ambition: Making Lambeth A Place We Can All Call Home

By 2030:

- Lambeth will be a borough of opportunity, with local people benefitting from jobs in our future growth industries.
- Lambeth will increase the supply of genuinely affordable housing and the quality of existing homes for residents who need them.
- Lambeth will be a borough of sanctuary and an Age and Child Friendly borough, the best place to grow up and age well.

In order to remain accountable in our delivery of the Borough Plan, both key performance indicators (KPIs) and business plan activity have been mapped to each stated outcomes against the overarching ambitions. Progress against the delivery of the Borough Plan is reported quarterly to Cabinet via Management Board.

To help us drive strategic change and improvement, enable effective measurement of the impact of Lambeth 2030, and redefine our corporate performance framework which ties together our Lambeth 2030 Ambitions and Outcomes and business planning across the organisation, a new Lambeth Outcomes Framework will be in place from 2024-25 onwards.

To show how we will deliver against these outcomes, the Council produces a Corporate Delivery Plan – the council's key document that outlines its priorities and objectives for the coming financial year. By doing so, the Corporate Delivery Plan ensures that sustainable progress towards the Borough Plan's goals is made every year and that the council remains focused on its long-term vision.

Financial management

The Council's Medium Term Financial Strategy ('MTFS') is a four-year plan which forms a core part of the council's strategic framework and plays a pivotal role in translating the council's strategic plans and ambitions into action.

The main objectives of our MTFS are:

- Prioritise our resources in-line with the council's Borough Plan to ensure we achieve our core priorities
- Maintain a balanced budget position, and to always set a MTFS which maintains and strengthens that position
- Provide a robust framework to assist the decision-making process within the council
- Manage the council's finances with a forward looking four year rolling strategy
- Deliver value for money to our taxpayers
- Exercise probity, prudence, and strong financial control
- Manage risk, which includes holding reserves and balances at an appropriate and sustainable level as agreed by our S151 Officer
- Continually review budgets to ensure resources are targeted on our key priorities.

The above objectives are at the core of our MTFS, and we will ensure the objectives are upheld throughout the duration of the MTFS and beyond. The MTFS will continue to be updated as we gain greater certainty and clarity on the level of funding for future years. Both the Financial Planning processes, budget monitoring and savings delivery are subject to regular reviews by the Internal Audit Team.

Due to the importance of delivering savings and remaining within agreed budgets, savings are monitored monthly through the savings tracker, budget monitor and regular reports to Management Board, Cabinet Member for Finance, Informal Cabinet and Cabinet. [Read The Medium-Term Financial Strategy](#)

In 2019 CIPFA published the Financial Management Code (FM Code) which provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management and agreed by Corporate Committee.

The Key Principles of the Financial Management (FM) Code

The underlying principles that inform the FM Code have been designed to assist in determining whether, in applying standards of financial management, a local authority is financially stable. The principles of good financial management as set out by the code are:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful, and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit, and inspection.

- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Good governance ensures better informed and longer-term decision making and therefore is essential for good financial management. The main headings within this governance statement are aligned with the principles of good financial management, demonstrating how the council complies with the overarching requirements of the Code [Further information on the CIPFA Financial Management Code](#)

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The council has in place a robust decision-making process with all reports subject to corporate clearance (Legal, Finance and Democratic Services) prior to publication in accordance with the published procedures (which form part of the Council Constitution). All reports follow a standard template which identifies the decision or action required, why the report is recommended, alternative options considered and rejected together with a detail (including consultation carried out) section. The details section includes any pros and cons relevant to the proposal and deals with any supporting information that the decision maker may require to make a valid, legal decision. [Read the Decision-Making Guide](#)

The Overview and Scrutiny Committees discharge the Council's statutory scrutiny functions. This includes scrutinising items on the Council's Forward Plan and exercising the power to call-in executive key decisions, agreeing the scrutiny programme, and monitoring performance and budgets. coordination, delivery, and ongoing improvement of Lambeth's Scrutiny Function. It will be specifically responsible for overseeing and scrutinising the whole range of the Authority's functions and responsibilities, as well as other public service providers' work and its impact on the local community. The Committee's remit will also extend to all matters which impact on the economic, social, and environmental wellbeing of those who live, work, study or use services in the borough.

The Children's Services Scrutiny Sub-Committee is responsible for reviewing the provision, planning and management of children and young people's services, and the Housing Scrutiny Sub-Committee scrutinise private sector housing enforcement and regulation and the work of the Housing Department in supporting the borough's goal to improve housing quality in its social homes and neighbourhoods, and managing the Lambeth Housing Partnership with other Registered Providers. Scrutiny provides the role of the "critical friend" to the decision-makers and assists in policy development, drives improvement in public services and enables the voice of the public to be heard. Read further information on [Overview and Scrutiny](#).

The Corporate Committee performs the 'audit committee' role and is responsible for monitoring the effective development and operation of corporate governance across the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance.

Each service area within the council is also required to produce an annual business plan that includes what and how services are to be delivered, the cost drivers, future challenges, opportunities, and risks and how they will be addressed. The plans detail the budget envelope and projected costs for the service. Budget pressures arising in services are identified through regular monitoring of budgets with action plans to address any significant in year budget variances agreed with the corporate Management Board and subject to

monthly progress / status reporting at departmental management teams. Budget and Performance monitoring is reported to Cabinet on a quarterly basis.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within

The council has a performance management framework through the annual appraisal and personal development plan for all employees. This helps to identify learning and development needs and is linked to annual objectives. There are also personal development plans for staff. The Council also provides many learning resources to assist staff including both online and virtual training. In terms of the officer leadership, leadership development is being provided to enable the council's strategic vision, joint officer and member top team development is also underway. The Council has also embarked on a programme of organisational design that will support it in its strategic capacity and capability.

Members are also offered structured training and development opportunities, in line with their own personal development plans. In addition, members of key committees, such as the scrutiny committee and its panels, have received specialised training to equip them to carry out their duties. Support and information are also provided to opposition parties for example when they seek to put forward alternative budgets. The council is also actively engaged with colleagues through the London Member Development Network.

F. Managing risk and performance through robust internal control and strong public financial management

The main purposes of the council's risk management process are:

1. Provide Members and Senior Officers an understanding of the key risks facing the Council and its community, and how these risks are being managed
2. Ensure that risk management effectively supports the corporate governance of the Council
3. Ensure the process for identifying, evaluating, controlling, reviewing, reporting, and communicating risks is in line with best practice, consistently applied and understood.
4. Champion risk management, increasing our capacity for risk, whilst maintaining our statutory responsibilities
5. Developing and replicating best practice in risk management, providing value for money, and enabling better outcomes

The council has in place a 'Risk Management Strategy and Policy'. The policy is intended to assist officers, at all levels, in applying sound risk management principles and practices across their areas of responsibility recognising that all employees, members and those who act on behalf of the council have a role to play in the effective management of risk. It is also relevant to Members in their capacity as 'decision makers'.

The Risk Management Strategy and Policy is subject to annual review to ensure it continues to reflect good practice and remains aligned with current business processes and practices. Any significant changes are reported to the council's Corporate Committee which has responsibility to provide independent assurance on the adequacy of the risk and internal control framework. The Corporate Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. [Read the risk Management policy and strategy 2023-26.](#)

Key risks

The top risks are those that have been assessed as “high” and are categorised as either key corporate or strategic risks - corporate risks relate to corporate health, key processes, people and systems and strategic risks relate to strategic priorities and Borough Plan outcomes.

Significant risks and challenges

The council also faces several areas of significant risk that will require management and mitigating actions as appropriate in 2024-25, including:

- Impact of cost-of-living crisis on our residents and communities and council services
- Social housing and temporary accommodation
- National and global economic conditions
- Recruitment and retention of skilled staff
- Transition of HfL into Council responsibility
- Financial pressure, delivering savings to close the gap in council finances
- Addressing many years of overspends in social care
- Reducing pupil numbers and increasing school deficits.
- Improvement of controls around the use of Purchase Cards across the council

Impact of the Cost-of-Living Crisis on council services 2023-24

During 2023/24, the cost of living crisis continued to significantly impact residents, leaving many residents struggling to afford to eat and heat their homes. Residents on the lowest incomes continue to be hit hardest by the crisis, widening existing inequalities. Food inflation remains high at 5% (February 2024), the wholesale price of gas is 2.5 times what it was before the crisis and 41% of the borough’s residents say it is difficult to pay their energy bills. The continuation of the crisis throughout the year has also caused additional pressure on council services, including increased demand on the council’s Emergency Support Scheme.

In May 2023, the council announced its Cost of Living Response Action Plan 2023/24. The plan set out a programme of work with the objectives of responding to residents’ urgent need, minimising residents’ costs, maximising residents’ incomes and building residents’ financial resilience and ability to manage their debt. The plan delivered 30 interventions, including providing financial support to over 17,000 children during the school holidays, direct awards of up to £550 to 9,000 residents and [additional Council Tax discounts for 5200 households](#). The support provided was targeted to residents who have been disproportionately impacted by the crisis in order to reduce existing inequalities. [Full details of the interventions provided can be found here](#)

Whilst inflation has begun to reduce, costs remain significantly higher than before the crisis and key trend data from Citizens Advice indicates that unprecedented demand in relation to energy, food, debt and homelessness support will continue in 2024/25. In the Spring Statement, national government announced further funding for cost of living support (named Household Support Fund). This funding will continue until September 2024. Given the ongoing need to provide support to the borough’s financially vulnerable residents, the council will deliver a Cost of Living Response Plan 2024/25, using both the Household Support Fund and council resources.

Social Housing and temporary accommodation

Within the housing revenue account (HRA), there are pressures being brought by legal disrepair claims, rent income not increasing at the same rate as inflation for several years and additional requirements being introduced by the social housing regulator. The HRA reflects the statutory requirement to account separately for all costs and management of the council's housing stock, offset by tenants' rents and service charges, homeowner service charges and other income.

The cost of living crisis, and the wider macroeconomic environment continues to make it very difficult for families to sustainably manage their budgets. According to the ONS, average private rents in Lambeth are up 9.2% in the last 12 months to April 2024. This is leading to large numbers of households who are unable to find somewhere affordable to live and the council has a legal duty to provide temporary accommodation at a significant and growing cost.

National and global economic conditions

The UK economy started to perform a little better in Quarter 1 2024, but it is still recovering from a shallow recession through the second half of 2023. Quarter 4 2023 saw negative GDP growth of -0.3% while year on year growth was also negative at -0.2%. Despite this, unemployment is currently below 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – has declined to 3.2% at the end of March. It is noted that core CPI was still relatively high at 4.2% in March and, ideally, needs to fall further. Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, the Bank of England's Monetary Policy Committee has kept UK interest rates at the peak of 5.25% since August 2023.

Although the Euro-zone inflation rate has fallen to 2.4%, the European Central Bank will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly slow (GDP flat lined in 2023), a June rate cut from the current 4% looks probable. In the USA, despite the markets willing the central bank to cut rates as soon as June 2024, the continued resilience of the US economy, married to sticky inflation, is preventing a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

Recruitment and retention of skilled staff

2023/24 was no different to 2022/23 in terms of sector pay discrepancy between public and private sector remuneration, public as always remains behind. In response Lambeth have started to implement short and long term solutions to the recruitment and retention of staff. Notably in critical service areas such as Children's and Adults there are number of campaigns either underway or planned to address sourcing suitable candidates and their ongoing retention. HR are collaboratively working with all areas of the Council to address retention issues, particularly those in critical services.

Transition of HfL into Council responsibility

Good progress has been made in the year on the pathway to the closure of HfL. Each of the three separate HfL companies have delivered effectively against their objectives. Governance arrangements for the oversight of the closure are now well established and there is a better understanding of the significant financial risks posed to the Council by the closure. The Council now has a clear set of financial objectives to manage the closure. The closure plan for the next 2-3 years should minimize the financial costs of the closure to the Council.

Financial pressure, delivering savings to close the gap in council finances

Lambeth Council has set out the scale of the financial challenge it faces at a time of huge and ongoing pressures on local government finances. It is projected the council could need to save another £70million by 2028, including a savings target of £29.3million for next year.

These savings must be found despite increasing demand for council services, the ongoing impacts of the spike in inflation meaning running services cost more and the huge knock on impacts across the public sector of the extended period of Government austerity policies.

Lambeth Council already had to find saving of close to £30million in the previous MTFS which was achieved by finding efficiencies, generating income by measures including bringing leisure services back in house, amending fees and charges, while also protecting key services for our most vulnerable residents.

Addressing many years of overspends in social care

Budget pressures in social care continued during 2023/24 resulting in significant overspends. Departmental and corporate reserves are used for offsetting some financial pressures, however real financial challenges remain. Plans are in place to mitigate the pressures during 24/25 including monthly challenge of higher cost children's placements, the Children's brokerage service's push down on costs and improvements in managing placements and their costs. Plans in adults are to regularly review new demand and placements as they are agreed, to more effectively manage demand and impact of significantly increased costs in new spot placements. However, growth is also needed to reflect demand pressures in London and nationally.

Reducing pupil numbers and increasing school deficits.

There are ongoing challenges as pupil numbers continue to reduce which can make schools less cost efficient and which could add further to the deficit balances held by schools. Additional one-off support for schools in financial difficulty was received from the DfE in 2023/24, which helped deficit schools to support ongoing recovery management. The Pupil Place Planning project has continued through 2023/24 and into 2024/25 to consider options in the face of reducing numbers. However, this may result in one-off costs which would require funding from corporate reserves/ the MTFS. There is also work continuing alongside schools to identify recovery plans and to reduce the deficits

Improvement of controls around the use of Purchase Cards across the council

An internal audit identified a number of high risk findings relating to purchase card documentation, controls and monitoring. Management actions are in progress which cover a range of areas including: a review of all cardholder spend limits, periodic review of all active card holders to confirm the card is still appropriate for their role, implementing improvements in usage reporting and monitoring (further details provided in the 2023/24 Annual Audit report).

Key Performance Information:

In 2023/24, budget and performance information was provided to management teams monthly and Management Board and Cabinet every quarter. Performance indicators were broken down as follows:

- **Tier 1: Borough Plan KPIs** – these give an understanding as to the achievement of the five main objectives, or pillars, in the Borough Plan. Whilst some of these measures are not within the council's direct control, they do provide a better understanding of the wider wellbeing of the borough, and as such, the monitoring of their improvement provides a

view as to the effectiveness of the work carried out by the council and its partners towards the success of the Borough Plan.

- **Tier 2: Priority Service KPIs** – these give an understanding as to the achievement of the five main objectives, or pillars, of the Borough Plan as well as the sixth ‘enabling’ pillar. These measures are within the council’s direct control.
- **Tier 3: Service Performance Indicators** – these indicators are aligned with service priorities and reflect the performance of specific directorates. Directors are accountable for the management and improvement of these indicators. They are reported to Management Board by exception where there are issues or concerns around longer term performance or where immediate action needs to be taken.

Business Plans – each directorate produces a business plan outlining the actions that they will take to support the Borough Plan. The objectives of the Business Plans are linked to the delivery of the pillars of the Borough Plan and progress is reported quarterly to Management Board. From 2023-24 onwards we are moving to a multi-year system of business planning to allow for stronger alignment with the Borough Plan.

UK Stewardship code

In February 2024, the Lambeth Pension Fund successfully retained its signatory status to the Financial Reporting Council (FRC) UK Stewardship Code for the third year running, continuing the success of being the first local government pension scheme to be approved in 2021. Stewardship can be defined as the responsible allocation, management, and oversight of capital to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code sets high stewardship standards for those investing money on behalf of UK pensioners and those that support them; successful signatories must report annually on a comply or explain basis against twelve Stewardship Principles that cover **Purpose and Governance, Investment Approach, Engagement, and Exercising Rights and Responsibilities**. [Read the Fund's Latest Stewardship Report](#)

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The council is committed to openness and transparency and publishing as much data as possible to increase accountability. The council has an Open Data section on the website that enables the public to access the data published under the requirements of the Local Government Transparency Code (2015). This Code sets out the specific data required to be published, and the timescales by which the data must be published. All data required to be published by the Local Government Transparency Code is published. [Read the open data page.](#)

The council’s Constitution sets out how decisions are made and makes specific reference to decision making by Full Council, by the Executive (Cabinet), by Overview and Scrutiny Committees, other committees and by council bodies acting as tribunals. The council produces a Forward Plan of all Key Decisions which are proposed to be taken within the next four months (updated monthly 28 clear days prior to scheduled Cabinet meetings on a rolling basis). Other decisions are also included where practicable to assist in providing public transparency and confidence in decision making. All agendas and minutes of meetings in respect of council, Cabinet Overview and Scrutiny, Non-Executive Committees and statutory boards are published on the council’s website. The Constitution also includes an Officer Scheme of Delegation which sets out the powers and functions that are delegated to named council officers. The Scheme of Delegation is a statutory requirement and is maintained by the Service Director: Legal & Governance In addition, ‘Decision Making - Corporate Standards and Guidance for Officers’ is published on the internet and sets out the decision-making process, highlighting those aspects of decision making that are compulsory and must be complied with in all respects

The 2023-24 Internal Audit plan was drawn up to address the statutory requirements and key risks for the council. It was drafted from several sources including the council's risk reports, audit plans of other local authorities, intelligence from previous audits, and CIPFA guidelines. Audit recommendations made in previous years continued to be followed-up in 2023-24. Audit recommendations made in 2023-24 will be scheduled for follow up in 2024-25 to ensure that management action has been implemented within agreed timescales. This will provide senior management and the Corporate Committee with a direction of travel in the internal control environment across the council and will identify areas of best practice and where further improvement is required.

Review of Effectiveness

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

The effectiveness of governance arrangements is monitored and evaluated throughout the year; activity undertaken includes:

- Consideration of governance issues by Directorate Management Teams and Management Board – including risk registers, counter-fraud updates, and internal audit reports
- Preparation of a rolling plan of audit coverage provided by the Head of Audit and Counter Fraud and agreed by Corporate Committee which is primarily based on an assessment of the council's risk profile
- The Annual Audit Opinion which is provided by the Assistant Director Internal Audit and Counter Fraud
- Ongoing assessment of internal management processes, including performance management and compliance monitoring
- The work of the council's governance boards and working groups, including Management Board, Directorate and Divisional Management teams, and working groups (e.g., GDPR and Cyber security working groups)
- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission
- The views of external auditors, regularly reported to Corporate Committee, including regular progress reports and the Annual Audit Letter
- The work of the Corporate Committee which includes responsibility for monitoring the development and operation of corporate governance in the council

Annual Audit Opinion

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (for the Council this is the Assistant Director, Internal Audit and Counter Fraud) provides an annual audit opinion based upon the work performed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Internal audit prepare and agree a plan of activity with Management Board and the Corporate Committee; the plan has been updated throughout the year to ensure that Internal Audit is focussed on key risks facing the Council and to provide assurance in the areas where it is most needed. Progress and changes are reported regularly to Management Board and the Corporate Committee.

For the year ended 31 March 2024, the overall balance of internal audit assurance opinions is positive. 72% of internal audit reports provided reasonable or substantial assurance, while 28% concluded that limited or no assurance could be provided on the governance, risk management and/or internal controls of the area audited. This is a significant improvement in comparison to the previous year when we reported 35% reasonable or substantial assurance and 65% limited or no assurance demonstrating management's commitment to

improved governance, risk management and internal control. As a result, the annual opinion for 2023/24 is as follows:

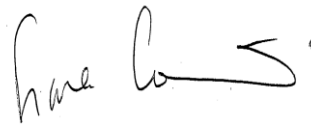
It is the Chief Audit Executive's opinion that primarily based on the internal audit activity undertaken during the year, but also considering external assurances and other relevant matters described in this report, internal audit can provide reasonable (positive) assurance that the Council has adequate systems of governance, risk management and internal control.

Signed:

A handwritten signature in black ink, appearing to read 'C Holland', written on a light blue grid background.

**Leader of Lambeth Council
Council**

Claire Holland

A handwritten signature in black ink, appearing to read 'Fiona Connolly', written on a light blue grid background.

Acting Chief Executive- Lambeth

Fiona Connolly

