



# Auditor's Annual Report for London Borough of Lewisham

Year ended 31 March 2025

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10 December 2025

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Our audit report is made solely to the members of London Borough of Lewisham (the Authority), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the members of the Authority, as a body, for our audit work, for our auditor’s report, for this Auditor’s Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Authority’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



**01**

# **Executive Summary**



# Executive Summary



## Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of London Borough of Lewisham (the 'Authority'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Authority alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:



**Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority's income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').



**Other information** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Authority.



**Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



**Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Financial statements</b>	We issued an unmodified opinion on the Authority's financial statements on 10 December 2025. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Authority.
<b>Other information</b>	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Authority.
<b>Value for money</b>	We identified no significant weaknesses in respect of the arrangements the Authority has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 11 onwards
<b>Whole of Government Accounts</b>	<p>We are required to perform procedures and report to the National Audit Office in respect of the Authority's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet concluded its audit of the Whole of Government Accounts for the 31 March 2025 financial year, we are unable to confirm that we have concluded our work in this area.</p>
<b>Other powers</b>	See overleaf.

# Executive Summary



There are several actions we can take as part of our wider powers under the Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Authority is taking. We may also apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

**We have not applied to the courts.**

## Recommendations

We can make recommendations to the Authority. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Authority does not need to take any action, however should the Authority provide us with a response, we will include it within this report.

**We made no recommendations under Schedule 7 of the Act.**

**We have not raised any other recommendations.**

## Advisory notice

We may issue an advisory notice if we believe that the Authority has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Authority. Where we raise observations we report these to management and the Audit and Risk Committee. The Authority is not required to take any action to these, however it is good practice to do so and we have included any responses that the Authority has given us.

**02**

# **Audit of the financial statements**

# Audit of the financial statements



## KPMG provides an independent opinion on whether the Authority's financial statements:

- Give a true and fair view of the financial position of the Authority as at 31 March 2025 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under and ensure we are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Our audit opinion on the financial statements

We issued an unqualified opinion on the Authority's financial statements on 8 December 2025.

Additionally, we are the auditor of London Borough of Lewisham Pension Fund's financial statements. We issued an unmodified opinion on these financial statements as well.

The full audit reports are included in the Authority's Annual Report and Accounts for 2024/25 which can be obtained from the Authority's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements: Authority



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

## Valuation of Council Dwellings

The Authority revalue council dwellings on a five-year rolling basis, with indexation in intermediate years. Where assets are subject to revaluation this creates a risk that the value of the assets recognised in the financial statements differs from the fair value of those assets.

Valuation also involves significant judgement in the application of underlying assumptions. We consider the most significant risk area associated with the valuation of land and buildings to relate to the Authority's council dwellings which were valued at c£1.5bn as at 31 March 2025. Whilst there is a recognised approach to the valuation of council housing stock, the size of the balance and complexity involved in arriving at the valuation gives rise to a risk of material misstatement.

### Our procedures

We critically assessed the independence, objectivity and expertise of Wilks Head and Eve, the valuers used in developing the valuation of the Authority's council dwellings at 31 March 2025.

We inspected the instructions issued to the valuers for the valuation of council dwellings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.

We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used.

We challenged the appropriateness of the valuation of council dwellings; including any significant changes from the prior year's revaluation, including considering additions to the housing stock in year. We challenged key assumptions associated with the application of the methodology for valuing council dwellings. This included assessing the information used to support the valuation of specific beacons and considering the appropriateness of housing price indexation adjustments.

We agreed the calculations performed of the movements in value of council dwellings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code.

We considered the adequacy of the disclosures concerning key judgements and degree of estimation uncertainty involved in arriving at the valuation of council dwellings.

### Our findings

We have conducted the procedures as described and have not identified any material misstatements to report from our work. We considered the estimate to be acceptable based on the procedures performed.



# Audit of the financial statements: Authority



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

## Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant.

We identified a specific risk of management override of controls in relation to HRA reserves. The reserves balance had fallen significantly over the three years to 31 March 2024 and are under pressure due to demand. As the Authority is not permitted to be in a HRA deficit there is an increased risk of management override because of the potential to report a more positive HRA reserves position which could be done by understating HRA expenditure or over stating HRA income with the corresponding impact to the General Fund.

## Our procedures

Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.

Evaluated the selection and application of accounting policies.

Evaluated the design and implementation of controls over journal entries and post closing adjustments.

Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the entities normal course of business or are otherwise unusual.

We analysed all journals through the year and undertook testing over journal entries that we identified as being of higher risk, such as material journals posted during the final close down period, and unexpected account code combinations which reduce HRA expenditure balances and increase general fund balances.

## Our findings

We did not identify any material misstatements relating to this risk.

# Audit of the financial statements: Authority



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

## Valuation of post retirement pension obligations

The valuation of the post retirement benefit obligations involves selecting appropriate assumptions including discount rate, inflation rate and mortality rates. The selection of these assumptions is subjective and small changes in the assumptions could have a significant effect on the liability of the Authority.

### Our procedures

Understood the processes the Authority has in place to set the assumptions used in the valuation of the pension liability.

Evaluated the competency and objectivity of the actuaries and confirmed their qualifications.

Performed inquiries of the actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets.

Evaluated the design and implementation of controls in place for the Authority to determine the appropriateness of the assumptions used by the actuaries in valuing the liability.

Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.

Assessed the level of surplus that should be recognised by the entity.

### Our findings

We did not identify any material misstatements relating to this risk.

We considered the estimate to be balanced overall and within our acceptable range

**03**

# **Value for Money**

# Value for Money



## Introduction

We are required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or value for money (VFM). We consider whether there are sufficient arrangements in place for the Authority for the following criteria, as defined by the Code of Audit Practice:



**Financial sustainability:** How the Authority plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Authority ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Authority’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Authority’s arrangements are operating effectively, or whether the Authority has achieved value for money during the year.

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority.

## Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability		Governance		Improving economy, efficiency and effectiveness	
Commentary page reference	4-5		6-7		8	
Identified risks of significant weakness?	x	No	x	No	x	No
Actual significant weakness identified?	x	No	x	No	x	No
2023-24 findings	Significant weakness identified		Significant weakness identified		No significant weakness identified	
Direction of travel (downwards indicates decrease in risk)	↘		↘		↔	

# Value for Money



## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. Analysis by London Councils argues that London Boroughs will see the largest funding losses whilst also experiencing significant financial pressure. The Institute of Fiscal Studies has found that inner London boroughs are, in particular, set to lose substantial sums.

### Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). Government guidance is awaited on children's services reform and SEND, and some authorities are delaying transformation programmes until there is clarity on how services should evolve.

An accounting override exists meaning Councils do not need to recognise schools' deficits as part of their reserves which, for some, avoids Councils becoming insolvent. This override was extended to March 2028. However, some have raised concerns that this extension only defers the problem, and the underlying unsustainability of education expenditure has not been resolved.

### Housing

Landlords, including Councils, are required to take action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made. The Regulator of Social Housing has also raised frequent concerns regarding the ability of Councils to comply with their consumer standards, in particular around treating tenants fairly and ensuring homes are safe. This has increased the cost of compliance, whilst housing budgets remain under significant financial strain. At the same time, Councils are also experiencing significant financial pressure in temporary accommodation budgets, due to high demands on services and difficulty in obtaining suitable accommodation.

## Local context

The London Borough of Lewisham covers a diverse inner London geography with several business districts and commercial hubs as well as residential areas such as Lee Green and Blackheath.

Similar to other Local Authorities, the London Borough of Lewisham is under financial pressure to deliver services within budget, but against a backdrop of increasing demand for those services. This is particularly high for Adult and Children's Social Care, however, for the Authority there have been no circumstances where exceptional financial support has been requested.

The Authority is a large social landlord and construction of new homes is a long-standing political priority. The Authority has ambitions to build more homes although this has been challenging in recent years in terms of obtaining affordable financing. However the Authority has plans to contribute to central Government ambitions to increase housebuilding across London.

The Authority has well-documented financial pressures in relation to its Housing Revenue Account (HRA) but is making progress. HRA reserves were topped up to £18.6m in 2024/25 which is now above the recognised level of 10% of rental and service charge income. This is at a sufficient level to enable the Authority to respond to unexpected events.

The Authority also has a large balance of total general fund reserves sitting at a balance of £245m in 2024/25.

# Financial Sustainability



## How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Our procedures identified that the Authority has procedures in place to set budgets, identify savings plans, monitor financial performance, and identify and manage risks to financial sustainability.

The 2024-25 budget was set with the commitment from services to deliver £8.0m of agreed new savings as well as those not yet delivered from the prior year. Throughout the financial monitoring of 2024-25 it became apparent that those services which overspent in the prior year continued to face pressures above budgeted levels. The 2025-26 budget has been set with a savings target of £30m across the next two years, with £29.25m having already been identified. We note that underperformance in savings in 2024/25 is well reported and understood, for example, savings and overspend reduction measures for the 2024/25 and 2025/26 budget gap were reported to Mayor and Cabinet on 4 December 2024.

We note that the Local Government Funding Reform is expected to increase the overall available funding to Local Government in 2025-26, however, the impact of negative changes in allocation through the amended funding formula is expected to increase financial pressure on London Boroughs and on the Authority which will have consequences for the scale of savings required. The Authority has already considered the potential impact of this in their Medium Term Financial Strategy and this will be formally updated and reported when there is greater clarity during 2025-26.

We have seen alignment between the financial plan and workforce and operational plans, including the increased demand for social care and social housing, as well as improving the quality and timeliness of repairs.

A new Risk Management Strategy was published in March 2023. The Authority's Corporate Risk Register is regularly updated and is presented to Mayor and Cabinet and Audit and Risk Committee regularly, dependant on risk scoring. The Risk Register includes risks associated with financial sustainability and specifically captures risks related to the current Housing Revenue Account (HRA) pressures.

We note there is a £19m overspend on General Fund activities after the commitment of £13.2m from corporate provisions and reserves, this was higher than the £10.2m commitment reported at P6. However, the Authority has a large balance of total general fund reserves sitting at a balance of £245m in 2024/25. The Authority also has well-documented financial pressures in relation to the HRA caused by the impact of inflation, costs for housing works and materials, real-terms rent reductions imposed by Central Government, obligations to improve the safety of homes and additional pressure as a result of the self-referral to the Regulator of Social Housing in 2023/24.

# Financial Sustainability

During 2024/25, HRA reserves were topped up to £18.6m which is now above the recognised level of 10% of rental and servicecharge income. This was a £0.5m surplus to budget. Although we note this was in part due to a slower capital programme delivery resulting in lower depreciation and a release of bad debt provision, it also reflects additional capitalisation of revenue works, underspend against energy costs and improvement on capital financing, other expenditure and income due to lower than anticipated void losses. This has improved the Authority's ability to respond to unexpected events and the remaining stock condition issues. There is still a disrepair backlog and the Authority is developing plans to address this.

The Authority set the 2025/26 budget during 2024/25 and we noted that the Authority has a medium-term financial strategy, which brings the Authority in line with its peers. The Authority has also fully refreshed the savings programme to incorporate all required savings into the medium-term financial strategy and considered deliverability risk.

## Conclusion

Based on the procedures performed we have not identified a significant risk or significant weakness associated with the arrangements to deliver financial sustainability.

Key financial and performance metrics:	2024-25	2023-24
Net revenue budget	£293.8m	£263.7m
Actual surplus/(deficit), excluding HRA	£21.9m	£6.6m
Planned HRA surplus/(deficit)	£0m	(£83.2m)
Actual HRA surplus/(deficit)	(£46.2m)	(£88.3m)
Usable reserves	£439.3m	£366m
Gross debt compared to the capital financing requirement	0.28:1	0.34:1
Year-end borrowings	£182.1m	£197.1m
Year-end cash position	£46.7m	£49.7m

*HRA: Housing Revenue Account, a ring-fenced fund relating to social housing*

*Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.*



# Governance

## How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Authority approaches and carries out its annual budget setting process;
- how the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

The Authority has an updated risk management strategy covering the period from 2023-2027 and officers are encouraged to identify and monitor risks. Risks are logged in the Corporate Risk Register where they are scored on likelihood and impact. Risks are reported to Cabinet on an annual basis and are also presented to Audit and Risk Committee.

The Authority maintains a Register of Gifts and Hospitality which is publicly available on the Authority's website, as well as a Register of Members' Interests which is required to be updated annually per the Code of Conduct.

The Authority has an established governance structure, with a set of committees and sub-committees that is in line with our expectation for an organisation of its size and complexity. The Authority's constitution is set up to help ensure key decisions receive appropriate scrutiny and approval prior to those decisions coming into effect. We have observed that these controls were in place for key decisions during 2024/25, for example, approval of the Out of Hours Switchboard Contract Extension on 12 March 2025.

The services delivered by Lewisham Homes were in-sourced back to the Authority in 2023-24 and the Authority self-referred to the Regulator of Social Housing in December 2023 due to identifying a failure to meet statutory health and safety requirements in some of its homes, including overdue fire remedial actions and repairs. The regulator concluded that the Authority is not meeting the required outcomes of the Decent Homes Standard. The Authority contracted Savills to undertake a full stock condition survey in 2023/24 and plan to address non-decency, fire remedial actions and repairs.

There has been a significant move forward in the stock condition survey and resulting actions this year. There have been some issues with accessing the remaining properties but of the properties surveyed, 87% have now been accessed and surveyed which has given the Authority a good understanding of the condition of its stock. Currently, as at 30 June 2025 17% do not meet the decent homes standards, reduced from 26%. The main failures for decency identified were hazards, however over 1,600 category one hazards have now been reduced in severity or closed down. The Authority has a plan in place to access and survey the remaining 13% of homes and have a good understanding of the condition of their stock. Regular cabinet briefings are undertaken on the Authority's performance in relation to the Decent Homes Standard. Quarterly reports are also taken to Mayor and Cabinet to monitor the Authority's performance against KPIs particularly for stock.

During the time period between our value for money risk assessment work and this report, the Housing Ombudsman published a special investigation report into the Authority. This report considered cases which were determined between July and October 2024 and had five emerging themes including hazards, communication with residents, contract management, knowledge and information management and systems. We held enquiries with the Authority to understand and consider their response to the findings and recommendations from the report. The actions against hazard management were already in progress following on from the self-referral to the Regulator in 2023-24, including the ongoing Housing Transformation Programme and assessment of preparedness for Awaab's Law. The planned implementation of the new repairs system is hoped to improve communication with residents and a new information management was approved by Mayor and Cabinet on 22 October 2025, however, the recommendation to consider developing a communication strategy is yet to be completed.





# Governance



There has been a shift in the proportion of in-house repairs vs contractors to increase in-house repairs and the Authority has an action to evidence minutes of contractor meetings and challenge to contractors on performance. In regards to complaints handling, all staff who handle complaints have now been through training including how to complete an investigation. Although complaints have increased from 2023-24 to 2024-25, the proportion of complaints upheld has reduced.

The Authority recognises it still has some work to do where actions are ongoing and has a clear documented action plan in place to address the issues and recommendations raised. Each recommendation will be mapped into existing workstreams to ensure progress is tracked in the longer term and we have raised a performance observation in this regard.

### Conclusion

Based on the procedures performed we have not identified a significant risk or significant weakness over the effectiveness of governance arrangements in place during the 2024/25 period.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	None	Two which relate to the significant weaknesses in value for money that were reported
Head of Internal Audit Opinion	Satisfactory assurance on internal controls adequacy and effectiveness	Satisfactory assurance on internal controls adequacy and effectiveness
Ofsted rating	One focused visit for Children's Services – sustained and some areas strengthened since last full inspection	Children and Young People's Services – Good
Local Government Ombudsman findings	174 complaints, 37 upheld	71 complaints, 22 upheld
Housing Ombudsman findings	1 special investigation report	None
Care Quality Commission rating	None	None

# Improving economy, efficiency and effectiveness



## How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

The Authority brought the services of Lewisham Homes back in-house during 2023-24. The Authority does still have outsourced services for which performance is monitored through a contract monitoring framework, this identifies any issues with a number of standardised KPIs including delivery quality.

The Authority's performance is monitored through regular management reports and quarterly at the EMT. These reports include measurements such as comparison to budget, and best/worst case scenarios. KPIs are shown in the Power BI Dashboard 'Lewisham Corporate Performance Report' across eight priority areas and are shown as on target, no target, almost at target or working to improve. This shows 54% at 'Working to improve' or 'No target' and 46% at 'Almost at target' or 'On or above target' as at 2024/25 Q2. The Authority also has a Corporate Performance Report which is updated each quarter and is available for residents and other stakeholders through a Power BI Interface. The Authority's Governance Action Plan is also monitored throughout the year.

We have not identified any materially under-performing services during 2024/25. The Authority are reporting a £19m overspend across all services in 2024/25, £15.3m of which is for Children and Young People, though this was reduced from £18.3m reported at Period 10. The Authority performed a deep dive on Children and Young People during 2023/24 and there has been investment in the tracking of costs since then and a Governance Group Board was put in place to improve the tracking of spend. Costs are monitored through a quarterly report to Mayor and Cabinet and Children and Young People costs were also monitored through reporting to the Public Accounts Committee.

The Authority has not initiated any commercialisation activities such as borrowing to invest or setting up subsidiaries to conduct novel commercial activity.

The Authority does have services it provides in partnership with others. As well as the operation of pooled budget arrangements, the Authority is also the host partner for the Lewisham Better Care Fund with South East London ICB. The Authority participates in a Partnership Board to ensure that the service operates effectively.

The Authority has a process whereby waivers can be obtained from the Authority's procurement process, for instance if there is a monopoly supplier or an urgent reason to bypass the procurement process. All waivers are approved by the Executive Director for Corporate Resources and a register of Single Tender Action's is maintained by the Authority including report title and sign off date. This aids officers and members in assessing whether the Authority achieves value for money from those suppliers.

## Conclusion

Based on the procedures performed we have not identified a significant risk or significant weakness associated with the arrangements in place to improve economy, efficiency and effectiveness.

# Value for Money: Prior year recommendations

We have followed up on the recommendations raised as a result of our work in respect of significant value for money weaknesses in the previous year as follows:

Priority rating for recommendations				
❶	<b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.		❷	<b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
			❸	<b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update as of October 2025
1	❶	<p>During 2023/24, the HRA budget was overspent by £6.1m, driven primarily through reoccurring pressures on the cost of repairs, and the level of reserves stood at £7.4m at the year end which is below the target level of 10% of rental and service charge income. This therefore reduces the ability of the Authority to respond to unexpected events. Whilst work has been undertaken during 2023-24 and a 30 year recover plan has been developed to help improve the HRA reserve position the arrangements in place have been insufficient in identifying and delivering short term recurrent savings at the value required to help ensure financial sustainability and there is a risk to the HRA reserve in 2024/25. The Authority should continue to monitor the HRA position closely to ensure reserves are sufficient, especially in light of the Repairs Transformation Programme and history of HRA reserves depleting significantly. The Authority should ensure it has a robust short to medium term strategy in place to replenish reserve and reduce reliance on non-recurrent measures. This should include reporting to the relevant committees and meetings, where those charged with governance can provide challenge on whether the plans continue to be realistic.</p>	<p>The Council acknowledges that the HRA financial position continues to remain finely balanced throughout 2024/25 and into 2025/26, and requires careful and regular monitoring to ensure that its agreed recovery plans are delivered. This acknowledgement formed part of the rationale underpinning the approach to the Ministry of Housing, Communities and Local Government in October 2024 to inform them of the position and to share the recovery plan.</p> <p>The 30 year business model refreshed in preparation for the 2025/26 budget setting demonstrates the long term sustainability of the HRA, and this will be supported by more immediate action plans to ensure that the assumptions underpinning the modelling are realistic and deliverable, including the planned building back of reserves balances to target levels.</p> <p>This will be tracked through the regular reporting of financial performance to the Housing Transformation Programme Board, Executive Management Team, Housing and Public Accounts Select Committees and Mayor and Cabinet. This reporting will include the overall financial position of the HRA, but also importantly the delivery of permanent cost reductions over the next two years to ensure that repairs and maintenance budgets and spend align, and that any reliance on once off measures can be unwound.</p> <p>Owner: Director of Finance and Executive Director of Housing</p> <p>Deadline: April 2025</p>	<p>HRA reserves were topped up to £18.6m in 2024/25 which is now above the recognised level of 10% of rental and service charge income. This is at a sufficient level to enable the Authority to respond to unexpected events.</p> <p>In addition, the Authority has undertaken work during the year to update the 30 year business model, which reflects some of the progress that the Authority has made in terms of its short and medium term plans.</p>



# Value for Money: Prior year recommendations (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update as of October 2025
2	1	<p>In October 2023 the Authority brought back in house the management of its social housing stock from its wholly owned subsidiary Lewisham Homes Limited. The Authority subsequently self-referred to the Regulator of Social Housing in December 2023 due to identifying a failure to meet statutory health and safety requirements in some of its homes, including overdue fire remedial actions and repairs. The regulator concluded that the Authority is not meeting the required outcomes of the Decent Homes Standard.</p> <p>The Authority has developed rectification plans which have included commissioning a stock condition survey. To date it has identified that approximately 24% of the Authority's homes are not meeting the Decent Homes Standard.</p> <p>Whilst a number of actions are being taken in response to the issues identified, the Authority did not have the appropriate monitoring arrangements in place prior to bringing the management of the social housing stock back in house to fully understand the extent of the issues associated with its council dwellings.</p> <p>We note that the extent of the stock condition issues were not identified until after services had transferred back into the Council. As a result of this, we recommend that the Authority puts in place an ongoing, business as usual monitoring framework to ensure that future problems are identified on a timely basis and can be acted upon promptly.</p>	<p>The Council fully recognises the importance of a robust monitoring framework for its housing stock condition. The increasingly complex legislative and compliance framework which social landlords need to adhere to and operate within has necessitated increased grip.</p> <p>The service has a number of Key Performance indicators and performance indicators which it collects and considers however there have been clear failings in the oversight and progressing improvement actions where these are identified. The service is, and continues, to do the following actions to improve data management, performance reporting, governance and oversight.</p> <p>The service has invested and is embedding information technology including core systems for tenancy data and property data. This investment either being embedded in the service (tenancy) or procured (property). This investment will support the service access tenancy and property data swiftly and support analysis and performance reports. The service has reviewed its Performance indicators and is reviewing its key performance indicators to ensure both service areas and leadership is able to make timely decisions based on the most appropriate information which is presented in a format that is easy to assimilate and supports timely and robust decision making.</p> <p>The housing service has introduced greater governance through Director led Transformation Boards and Performance Boards. These boards meet with a frequency that ensures underperformance is identified swiftly and corrective action can be taken and likewise that success can also be noted and learning from this embedded. The service continue to undergo change and is investing significantly in training and supervision to ensure service standards continue to improve.</p> <p>Owner: Executive Director for Housing</p> <p>Deadline: April 2025</p>	<p>There has been a significant move forward in the stock condition survey this year with 87% accessed and 17% not meeting Decent Homes Standard (compared to c25% at 31 March 2024). The Authority now have a good understanding of the condition of its stock and has plans in place to address the remaining issues. The Repairs Transformation Board has been in place for more than 18 months, regular Cabinet briefings are undertaken on the Authority's performance in relation to stock and quarterly reports go to Mayor and Cabinet.</p>



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