

Lambeth Council has been asked to respond to claims made by the *'People's Audit'* review of the council's 2015/16 accounts.

The 2014 Local Audit and Accountability Act gave citizens the authority to scrutinise councils' expenditure. During the inspection of the accounts for 2015-16, Lambeth Council received an unprecedented number of applications to inspect the accounts. The requests asked for significant volumes of information (one query asked for over 2,000 invoices with contracts) and officers worked with the individuals who requested items to provide responses.

The council welcomes transparency and the right of members of the public to audit local authority accounts, and furthermore believe that this right should be in addition to the powers that the Audit Commission had before it was abolished by the Government.

While the report does raise issues which the council will examine (and in some cases has already done so) we have not seen any evidence to support the allegation of "extensive financial mismanagement". The final document contains suggestions, assertions and straightforward errors which, taken together, give a sensational but inaccurate account of Lambeth's finances.

It is untrue to assert that Lambeth officers were obstructive. The *'People's Audit'* exercised their right to inspect the accounts in person; over 230 hours of officer time was spent supporting queries and a senior finance officer met members of the group last August. Some of them then exercised their right to object by contacting Lambeth's external and independent auditor KPMG, who went through the complaints in detail. Letters were sent to this group from Lambeth's independent auditors, rejecting some claims and asking for evidence for others. No such evidence was provided. That correspondence is between the auditor and the *'People's Audit'* so Lambeth is not able to release them into the public domain. The *'People's Audit'* has chosen not to publish them.

To offer reassurance that the council's finances continue to be effectively managed there are answers to the main points below. In addition, it is important to note that the annual accounts were signed off, without qualifications, by KPMG.

The following are the main issues that have been put to the council by this group:

1. What has the council done to investigate the appearance of price fixing by contractors?
This refers to an instance where two tenders for a contract contained identical prices and was due to the fact that one sub-contractor had priced for both the companies tendering for a specific area of work. This was explained to the *People's Audit*.
2. On Wyvil estate in Vauxhall, where documents show that in three blocks of flats Lambeth paid invoices for twice the amount of brickwork and concrete repairs than that carried out by the subcontractor, what has the council done to check the other 13 blocks?

The council did not pay its contractors more than was due for concrete repairs or brickwork repairs on Wyvil estate. All works and costs were scrutinised in detail prior to the settlement of the final account and all works that were paid for had been completed.

3. Why is Lambeth's finance department unable to access invoices worth £8m paid by the housing department?

The invoices are stored on the council's housing database which is separate to the finance database, and finance officers have access to this. This was explained to the *People's Audit*.

4. What steps is Lambeth taking to reduce its poor record on housing repairs, given the £10.4m it has paid out in housing disrepair compensation over five years (30% of all those made by local authorities in the UK)?

The decision to bring Lambeth Living back in-house in 2016 was in large part due to a need to improve housing repairs. Since we have done so and asserted greater control over repairs, they have improved and are proving better value for money. This process began in 2015.

5. Why is Lambeth not getting a better deal in its dealings with developers – for example in its relationship with Pocket Living, which has received discounts worth £1m on three plots sold by the council?

Sale of the sites to Pocket Living resulted in 100% affordable housing which Pocket had received grant funding from the GLA in order to progress. This means there are 102 new affordable units built on the sites which we would not have achieved with other developers.

6. Why did Lambeth not follow government guidelines when approving the salary of Sir Craig Tunstall?

Sir Craig Tunstall's salary is set by his employer, the schools governors of the Gipsy Hill Federation. The *People's Audit* were informed of this.

7. Lambeth paying an average £4,000 for kitchen replacements, priced under its Decent Homes contracts at £2-3,000.

The claims of cost per kitchen were derived from calculating the overall contract cost from the number of properties, ignoring the other associated costs (the replacement of the distribution network, as well as individual kitchens) and other work relating to gas servicing, water storage and heating. Therefore, the cost quoted by them is not accurate. The *People's Audit* were informed about this.

8. Contractors for repairs at Cressingham Gardens estate charging for works that have not been carried out; repeat instances of the same repair; and instances of overcharging.

The *People's Audit* has been asked for evidence to support this but none has been forthcoming. Any evidence would of course be taken extremely seriously and acted on immediately, but this remains an unsubstantiated allegation.

9. Numerous examples of expenditure being under-stated on Lambeth Council's website, when compared with actual invoices, including £3.2m paid to Transport Trading Ltd (a wholly owned subsidiary of TfL).

As part of transparency the council publishes a list of transactions over £500 on the website in line with government guidelines. This is a snapshot extract of the data on the finance system and is not used by the council to produce its accounts. The error in the download that the People's Audit identified has been reported to the finance system provider and officers have been working with them to get this corrected.

Cllr Imogen Walker said: "The council's accounts have been fully signed off by the independent auditors, who have also responded in detail to the complaints submitted by the *'People's Audit'*. There is clearly no basis for the finding of "extensive financial mismanagement" in this report, and many of its complaints were addressed by the auditors and Lambeth officers several months ago.

However, we know that the content of the report has caused concern, and so it must be looked at carefully, regardless of the questions that have been raised about the motivation behind its publication.

Lambeth Council is a large and complex organisation, with thousands of staff and overall responsibility for hundreds of millions of pounds. I recognise that no organisation is above making mistakes, and we will continue to be open about where there need to be improvements, as we have, for example, with housing repairs. Our staff and councillors work very hard to make sure our residents are looked after properly, but there will always be areas where we can do better, and we acknowledge that. We will take criticism on board and reflect on it, as we have done with the allegations in this report, and what has happened with this process should not discourage anyone from giving honest feedback.

However, it is important to remember that this administration has overseen a dramatic improvement in the performance of this council, from one of the worst-performing local authorities to one of the best. Resident satisfaction has never been higher, we have protected core services despite huge government cuts, and we have kept council tax as low as possible. The council has invested almost £500 million in the last few years to refurbish council properties to a high standard. We have improved the contracting process and cracked down on poor repairs. In terms of our contract management, Lambeth works with around 3,500 suppliers and conduct comprehensive assessments of these, with regular updates on major contracts in line with national guidance. In recent years, we have guaranteed that the London Living Wage is paid to staff on 97% of all contracts, and delivered significant social value from major contracts, including over 100 apprenticeships for Lambeth residents from our customer services contract alone. We have saved the taxpayer millions of pounds by renegotiating contracts, through consolidating services or renegotiating contracts in back-office areas like insurance, payments, postal services and IT, and saved over £10 million on our customer services contract, with further millions of pounds of savings still to come. We have also pushed

collections rates to record levels, with council tax collection rising to 95.4% in 2016/17 and business rates increasing from 97.6% in 2011/12 to 99% in 2016/17.

We have also fought hard to get the best deal from developers, including delivering new council homes and investment at Vauxhall City Farm, negotiating over £9 million developer contributions in the Waterloo area from the Shell Centre development and delivering hundreds of new affordable homes in Vauxhall from the Sainsbury's Nine Elms and Vauxhall Square developments. That's in addition to our own work as a council to directly deliver hundreds of affordable and council rent homes to tackle the housing crisis.

We face challenging times ahead under a government that does not support local government or understand its capacity to make a difference, and we will always look for ways to improve the way we do things. We are determined to work with our communities to make sure that we keep Lambeth a great place for all of us."