Two months after publication of a ‘citizens’ audit’ of Lambeth Council’s spending in 2015/16, serious questions remain about inadequate control of contracts with the private sector. This report details the evidence unearthed and the concerns that have yet to be properly investigated by the local authority.

Lambeth Peoples’ Audit, September 2017
Lambeth Peoples’ Audit 2015/16 - response to Lambeth Council

Contents
Introduction ............................................................................................................................................. 1
Issues addressed by Lambeth Council ............................................................................................... 2
  Appearance of price fixing ................................................................................................................. 2
  Over-payment of building contractors for work on Wyvil Estate ....................................................... 4
  Unavailability of invoices for housing repairs .................................................................................. 5
  Housing repairs compensation ......................................................................................................... 5
  Sale of land to Pocket Living ............................................................................................................. 6
  Salary of Sir Craig Tunstall .............................................................................................................. 6
  Over-pricing of kitchens .................................................................................................................... 7
  Over-paying for repairs, Cressingham Gardens .............................................................................. 8
  Falsely reported expenditure ......................................................................................................... 9
Issues from the Peoples’ Audit that Lambeth is yet to address .......................................................... 10
Role of the external auditors ........................................................................................................... 10
Lambeth’s claims about the Peoples’ Audit ....................................................................................... 11
Conclusion ........................................................................................................................................... 12
References .......................................................................................................................................... 13

Introduction

Using powers of the 2014 Local Audit and Accountability Act, a group of ten Lambeth residents scrutinised the London Borough of Lambeth’s Accounts for 2015/16, publishing their findings in July 2017.

Lambeth Council responded to the Peoples’ Audit by claiming the residents’ report contains “suggestions, assertions and straightforward errors”. Yet more than two months after the publication of Lambeth Peoples’ Audit report, the council has been unable to provide evidence to refute the concerns raised and has failed to respond at all to some serious questions over the council’s financial governance.

Lambeth Peoples’ Audit submitted its report to Lambeth council on 5th July 2017 and requested a meeting to discuss it. Following perfunctory responses from Lambeth on 7th and 18th July 2017, we issued an open letter to Lambeth on 20th July 2017, again requesting they address the issues and meet the authors of the report.¹ This was not responded to. Instead, Lambeth Council posted a public statement on its website on 10th August 2017.²
This paper is a point-by-point reply to Lambeth Council’s response, and includes publication of the documentary evidence that alerted residents to financial mismanagement at the council. We show in this paper how serious concerns about the management of contracts by Lambeth Council and other questions of poor financial governance remain unanswered.

Our request for a meeting to discuss our report remains open.

**Issues addressed by Lambeth Council**

**Appearance of price fixing**

**The Peoples’ Audit found** indications of possible price fixing between some contractors. In one instance all four tenderers on a £1.3m project were within 7% of each other; in another, two of the tenderers had identical prices for several scaffolding items.

**Lambeth Council’s reply**

“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. “

**The People’s Audit response**

According to the Chartered Institute for Public Finance and Accountancy\(^3\), “signs of suspicious bidding patterns may include…. different bids with identical prices”

If it was the case that the same subcontractor priced scaffolding works for different contractors, then we would expect all of the prices would be identical. As the spreadsheet on the next page shows, 11 of the scaffolding prices are identical to the penny, whilst the rest are different.

To reassure residents, Lambeth Council should be able to provide contemporaneous evidence of how it challenged these costs, copies of the sub-contractors’ quote to each tenderer and proof of when it was transmitted to each contractor.

We also request that Lambeth addresses the second appearance of price-fixing mentioned in the Peoples’ Audit report: a contract where all four tenders on a £1.3M project were within 7% of each other, something that should trigger further investigation.
## Scaffolding

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION OF WORKS</th>
<th>QUANTITY</th>
<th>UNIT</th>
<th>CONTRACTOR A</th>
<th>CONTRACTOR B</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Scaffolding: Provide, erect and dismantle tubular scaffolding, with ladders, pulley ropes, wheel fixings etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>5.00m high - 8 weeks hire</td>
<td>m²</td>
<td>£</td>
<td>9.34</td>
<td>9.34</td>
<td>Identical</td>
</tr>
<tr>
<td>b.</td>
<td>10.00m high - 10 weeks hire</td>
<td>m²</td>
<td>£</td>
<td>9.65</td>
<td>9.65</td>
<td>Identical</td>
</tr>
<tr>
<td>c.</td>
<td>15.00m high - 13 weeks hire</td>
<td>m²</td>
<td>£</td>
<td>9.78</td>
<td>9.78</td>
<td>Identical</td>
</tr>
<tr>
<td>d.</td>
<td>20.00m high - 13 weeks hire</td>
<td>m²</td>
<td>£</td>
<td>10.90</td>
<td>10.90</td>
<td>Identical</td>
</tr>
<tr>
<td>e.</td>
<td>Provide access to Chimney stacks for rebuilding or repair; up to 2m high</td>
<td>Nr</td>
<td>£</td>
<td>590.00</td>
<td>590.00</td>
<td>Identical</td>
</tr>
<tr>
<td>f.</td>
<td>Additional weekly hire.</td>
<td>m²</td>
<td>£</td>
<td>0.45</td>
<td>0.45</td>
<td>Identical</td>
</tr>
<tr>
<td>2</td>
<td>Scaffolding: Provide, erect, maintain for a period not exceeding one week and dismantle tubular tower scaffolding with all ladders, pulley ropes, wheel fixings and one lift of boards.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>he 10.00m high</td>
<td>Nr</td>
<td>£</td>
<td>492.00</td>
<td>744.00</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>he 15.00m high</td>
<td>Nr</td>
<td>£</td>
<td>820.00</td>
<td>1,135.00</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>he 20.00nm high</td>
<td>Nr</td>
<td>£</td>
<td>1,045.27</td>
<td>1,683.00</td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td>Move tubular tower scaffolding to new location as directed by Contract Administrator, temporary dismantle and re-erect as necessary, any height of tower.</td>
<td>Nr</td>
<td>£</td>
<td>700.00</td>
<td>984.00</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Provide scissor lift or telescopic hydraulic platform vehicle, max capacity 200kg up to 10.00m platform height, attend upon CA during inspection, with any temporary relocation, remove.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>10m High</td>
<td>Days</td>
<td>£</td>
<td>76.00</td>
<td>159.58</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>20m High</td>
<td>Days</td>
<td>£</td>
<td>76.00</td>
<td>195.00</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Debris netting</td>
<td>m²</td>
<td>£</td>
<td>1.23</td>
<td>1.23</td>
<td>Identical</td>
</tr>
<tr>
<td>b.</td>
<td>Provide, erect and maintain dust proof external screen, remove.</td>
<td>m²</td>
<td>£</td>
<td>1.23</td>
<td>3.12</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>3 metre wide protective fan over communal entrances</td>
<td>m²</td>
<td>£</td>
<td>10.15</td>
<td>10.15</td>
<td>Identical</td>
</tr>
<tr>
<td>d.</td>
<td>Brick Guards</td>
<td>m</td>
<td>£</td>
<td>1.50</td>
<td>2.10</td>
<td></td>
</tr>
<tr>
<td>e.</td>
<td>Temporary Guard rails to plant rooms/lift shaft/stairwells</td>
<td>m</td>
<td>£</td>
<td>14.42</td>
<td>17.40</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Provide, erect, maintain for a period n.e. one week, dismantle, flexible plastic, standard size rubbish chute fixed to scaffold: complete with siteguard panels, side entry chute.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>he 10.00m high</td>
<td>m</td>
<td>£</td>
<td>32.00</td>
<td>32.00</td>
<td>Identical</td>
</tr>
<tr>
<td>b.</td>
<td>he 15.00m high</td>
<td>m</td>
<td>£</td>
<td>32.00</td>
<td>32.00</td>
<td>Identical</td>
</tr>
<tr>
<td>c.</td>
<td>he 20.00m high</td>
<td>m</td>
<td>£</td>
<td>36.00</td>
<td>36.00</td>
<td>Identical</td>
</tr>
<tr>
<td>6</td>
<td>300kg electric goods hoist serving up to 9 storeys high; including erection, testing, 13 weeks hire, power supply, all electricity, 2 metre high 'Heras' fencing, enclosure and dismantling</td>
<td>Nr</td>
<td>£</td>
<td>2,500.00</td>
<td>2,840.00</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Additional weekly hire</td>
<td>weeks</td>
<td>£</td>
<td>120.00</td>
<td>190.00</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>2 metre high 'Heras' fencing to perimeter of ground/1st floor scaffold</td>
<td>m</td>
<td>£</td>
<td>2.30</td>
<td>3.35</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Scaffold alarm to perimeter at 1st floor level for 28 day period; including installation and dismantling, warning signs to each elevation, 2 pairs of dual tech beams and control via a keyholding company.</td>
<td>Nr</td>
<td>£</td>
<td>300.00</td>
<td>520.00</td>
<td></td>
</tr>
</tbody>
</table>

Lambeth Peoples’ Audit 2015/16 – Response to Lambeth Council
Published by Lambeth Peoples’ Audit Ltd Company No. 10836982
Over-payment of building contractors for work on Wyvil Estate

The Peoples’ Audit found that in a sample of three blocks checked on the Wyvil Estate in Vauxhall, Lambeth Council paid its contractors for more than twice the number of concrete repairs than were actually carried out. The quantity of brickwork repairs were also hugely overestimated compared to the independent survey commissioned by leaseholders.

Lambeth Council’s reply

“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.”

The Peoples’ Audit Response

On concrete repairs: The table below shows the number of concrete repairs paid for in the final account. Does Lambeth Council seriously expect residents to believe exactly the same number of concrete repairs were carried out to different blocks?

Wyvil Estate Major Works-Summary of Concrete Repairs in Final Account

<table>
<thead>
<tr>
<th>House</th>
<th>Nr Repairs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian</td>
<td>225</td>
<td>£ 6,405.00</td>
</tr>
<tr>
<td>Basil</td>
<td>225</td>
<td>£ 6,405.00</td>
</tr>
<tr>
<td>Conrad</td>
<td>225</td>
<td>£ 6,405.00</td>
</tr>
<tr>
<td>David</td>
<td>225</td>
<td>£ 6,405.00</td>
</tr>
<tr>
<td>Edgar</td>
<td>171</td>
<td>£ 4,868.37</td>
</tr>
<tr>
<td>Frank</td>
<td>171</td>
<td>£ 4,868.37</td>
</tr>
<tr>
<td>Gilbert</td>
<td>171</td>
<td>£ 4,868.37</td>
</tr>
<tr>
<td>Henry</td>
<td>177</td>
<td>£ 5,039.19</td>
</tr>
<tr>
<td>James</td>
<td>44</td>
<td>£ 1,252.68</td>
</tr>
<tr>
<td>Keith</td>
<td>44</td>
<td>£ 1,252.68</td>
</tr>
<tr>
<td>Leslie</td>
<td>44</td>
<td>£ 1,252.68</td>
</tr>
<tr>
<td>Martin</td>
<td>390</td>
<td>£ 22,386.00</td>
</tr>
<tr>
<td>Norman</td>
<td>390</td>
<td>£ 22,386.00</td>
</tr>
<tr>
<td>Oliver</td>
<td>390</td>
<td>£ 22,386.00</td>
</tr>
<tr>
<td>Peter</td>
<td>390</td>
<td>£ 22,386.00</td>
</tr>
<tr>
<td>Quinton</td>
<td>229</td>
<td>£ 4,334.97</td>
</tr>
</tbody>
</table>

The sub-contractor’s measures for concrete repairs were provided by Lambeth council under cover of the same e-mail that they sent the final account. The measures for the blocks we checked were all less than those paid by Lambeth.

On brickwork repairs: As stated in the Peoples’ Audit report, an independent surveyor carried out a survey to one block which resulted in a reduction in brickwork repairs from £12,149 to £1,475. Leaseholders expected Lambeth to take the results of this initial survey in order to check the brickwork repairs required to other blocks on the estate. Yet almost
without exception the brickwork repairs to the other blocks are higher than on the block which was surveyed by the independent surveyor.

Lambeth have still not provided the validation surveys that leaseholders requested nearly two years ago. How can leaseholders or the council’s finance department be sure the repairs were ever carried out?

Other questions about the works on Wyvil estate are outstanding:

- Why did Lambeth Council pay for works for which it would seem there were no written instructions?
- Can Lambeth provide copies of the instructions which vary the contract works?
- Why did Lambeth Council alter the basis of the contract after it was awarded?
- And more than a year after works were completed, why has no work been done to remedy the rust appearing through the decorations?

Unavailability of invoices for housing repairs

The Peoples’ Audit found over £8m of invoices for housing repairs could not be supplied by Lambeth’s finance department.

Lambeth Council replied:
“The invoices are stored on the council’s housing database which is separate to the finance database, and finance officers have access to this.”

The Peoples’ Audit Response
If, as Lambeth Council claims, the finance department has access to these invoices, why were they unable to show them to the Peoples’ Audit when requested under the powers of the 2014 Local Audit and Accountability Act? Both for the scrutiny of 2015/16 accounts and again in more recent requests regarding accounts for 2016/17?

The finance department is ultimately responsible for every penny that Lambeth Council spends and should, therefore, have access to the invoices – not just the database - relating to money spent by the housing department. That Lambeth Council fails to grasp the significance of this is disturbing.

Housing repairs compensation

The Peoples Audit found Lambeth Council had paid out £10.4m housing disrepair compensation over five years (30% of all those made by local authorities in the UK).

Lambeth Council replied:
“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.”
The Peoples’ Audit Response:
Whether repairs have improved or not since Lambeth Living was brought back in-house is something that only an independent analysis would be able to validate.
In 2015/2016 Lambeth council had the highest number of complaints about housing to the Local Government Ombudsman in the whole of the UK. In 2016/2017 it had the 3rd highest.
In the spirit of transparency that the council says that it welcomes, can Lambeth please detail how much they have paid out in legal fees and compensation in the last 3 years with regard to housing?

Sale of land to Pocket Living

The Peoples’ Audit found three pieces of council land was sold to private developer Pocket Living in Kennington and Streatham at a discount of £1m - without any competitive tender.

Lambeth Council replied:
“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.”

The Peoples’ Audit Response: Whether Pocket Living homes are affordable or not is a matter of debate. They are cheaper than the average home but at 38m² they are also 25% smaller than average, so it is inevitable they will be cheaper. A review of similar properties in Mountearl Gardens suggests that Pocket Living homes are more expensive on a cost per m² basis than other properties in the area.

Lambeth have still not explained why the council land was sold to Pocket Living without getting competitive tenders and for a sum which was considerably less than the sale price of the flats that were built on it.

We also note that at the same time that Lambeth were in the process of negotiating this land sale with Pocket Living without any other bidders and below the market value, Pocket Living were listed as being a client of Four Communications. Four Communications is the PR and lobbying company for whom Lambeth cabinet member Cllr Jim Dickson is a practice director. This may be a coincidence, but we believe the public should be reassured with documentary evidence of what work Four Communications were doing for Pocket Living at this time.

Salary of Sir Craig Tunstall

The Peoples’ Audit found Sir Craig Tunstall, then Headmaster of the Gypsy Hill Federation of primary schools, was paid £330,394 (plus an annual pension contribution of £43,753) by Lambeth Council – way above the national pay guidance issued by the Department for Education, which puts the maximum salary for a head teacher in London at around £115,000.
Lambeth Council replied:
“Sir Craig Tunstall’s salary is set by his employer, the schools governors of the Gipsy Hill Federation.”

The Peoples’ Audit response:
Our Freedom of Information request shows that Lambeth sent a copy of the national pay guidance to the Gipsy Hill federation. The national pay guidance requires that the governing body must seek external independent advice prior to making a pay award which exceeds the guidelines. Why did Lambeth Council not then carry out due diligence on the spending of its money by the Gipsy Hill Federation when it was clear that external independent advice had not been sought?

Over-pricing of kitchens

The People’s audit found Lambeth Council paid an average £4,000 for kitchen replacements, priced under its Decent Homes contracts at £2-3,000.

Lambeth Council replied:
“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 Peoples’ Audit Response:
This is merely a repeat of what the auditor said to one of our team in a letter dated 20th February 2017, which related to mechanical works carried out on the Notre Dame estate and has nothing to do with the questions raised in our report about the cost of replacement kitchens.

Below are the tendered costs for replacement kitchens on the Decent Homes Contract. It can be seen from this table that the scope of works for replacement kitchens is quite comprehensive. Yet on more than one occasion we have been told that Lambeth are paying over £4,000 on average for replacement kitchens. Can Lambeth provide an adequate explanation as to why this is?
Lambeth Peoples’ Audit 2015/16 – Response to Lambeth Council
Published by Lambeth Peoples’ Audit Ltd Company No. 10836982

Note: 9% overheads and profit need to be added to the costs in the following table as do site management costs (approximately 10%), giving a cost range of between £2,000 and £2,300.

Over-paying for repairs, Cressingham Gardens

The Peoples’ Audit Found: contractors for repairs at Cressingham Gardens estate had been paid for works that were not been carried out; repeat instances of the same repair; and instances of over-paying.

Lambeth Council replied:
“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.”

The Peoples’ Audit Response:
All contested amounts in relation to Cressingham Gardens were e-mailed on 29th April 2016 to the head of Home Ownership Services together with a highly detailed spreadsheet listing

---

### Kitchen Installations

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION OF WORKS</th>
<th>QUANTITY</th>
<th>UNIT</th>
<th>RATE</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>K1 Small</strong></td>
<td>Bedsit/1 Bedroom</td>
<td>Min 1.5 m³</td>
<td>nr</td>
<td>£1,633.71</td>
<td>£</td>
</tr>
<tr>
<td><strong>K2 Medium</strong></td>
<td>2 - 3 Bedrooms</td>
<td>Min 2.0 m³</td>
<td>nr</td>
<td>£1,802.14</td>
<td>£</td>
</tr>
<tr>
<td><strong>K3 Large</strong></td>
<td>4 - 5 Bedrooms and above</td>
<td>Min 2.5 m³</td>
<td>nr</td>
<td>£1,895.72</td>
<td>£</td>
</tr>
</tbody>
</table>

**Section Total:**

£ -

**Kitchen Basket Rate incorporates the following:**

- All design including associated calculations.
- Disconnect and remove occupier’s fridge, freezer, cooker, washing machine, drier and dishwasher, temporarily relocate appliances and provide all connections as necessary; final relocation and connections of residents appliances.
- Strip out all existing kitchen units, worktop & sink including all pipework and fittings & chrome pillar taps, all floor, wall & ceiling tiles, all levelling/drilling/holes/plugging/screwing and make good all areas disturbed
- Fit new wall, base & corner units & handles, plinths, end panels, worktops, tray spaces and 940 x 485 s.s. sink; including all associated fittings, aluminium jointing strips, masticcing, and all pipework, taps, fittings and isolating valves to services; ie
- 150 x 150mm ceramic tiles between worktops and wall units and tiling down to floor level behind the cooker space; including associated cills, all preparatory work, sealant and pvc trims to exposed edges. Grout to be fungal-resistant.
- Washing machine installation; hot and cold service pipework; 2 number appliance stop valves marked hot and cold; trap for waste, stackpipe and waste installation.
- Remove existing flooring & lay standard PUR vinyl sheet safety flooring & skirtings (*Polysafe* or equivalent specification) including levelling compound, sealant to skirtings & doorway strip. Skirtings to be 150 high with capping strip and to include fo
- 5m2 of hacking off plaster and re-plastering with 2 coats to 13mm thick including all joints.
- 1 coat fungicidal wash & 2 coats of emulsion to walls and ceiling, 1 undercoat and 1 gloss to all joinery and doors (both sides); stripping of all layers of wallpaper/lining paper in preparation for redecorations including removal & re-fixing of radiator.
- Cooker restraint chain
- 2 metres of boxing in to pipes including decorations

---
all job ID numbers, dates, full descriptions and the reason for contesting the amount. This e-mail was followed up with e-mails on 24th May and 10th June 2016.

This spreadsheet was subsequently updated and now lists around 150 contested repairs jobs. The current contested figure amounts to £127,458.05 and this spreadsheet was re-sent to the finance department on the 30th May 2017. These e-mails were copied to Lambeth Council Chief Executive Sean Harriss and members of the finance and complaints departments. We await a formal response from Lambeth, although it is of note that Lambeth have already conceded that certain items have been charged to leaseholders that should not have.

**Falsely reported expenditure**

**The Peoples’ Audit found:** numerous examples of expenditure being under-stated on Lambeth Council’s website, when compared with actual invoices.

**Lambeth Council replied**

“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.”

**The Peoples’ Audit Response:** Lambeth Council suggests there was a single error in a download. There were in fact multiple errors dating back to December 2010 when ‘Expenditure over £500’ was first published. For more than six years, large-scale under-reporting to the public of expenditure went undetected until a member of the Peoples Audit team pointed it out. Not only was there large scale under-reporting, there were multiple unannounced changes to what was published with some months containing more information than others.

Having admitted errors were made, published data for 2015/16 was replaced without notifying the public or senior management (Chief Exec Sean Harriss and Council Leader Lib Peck) of the change. In addition, further unannounced changes to the reporting methodology were made. We are concerned that Lambeth has yet to acknowledge the scale of error that occurred in reporting expenditure to the public.

Data for April 2015 onwards does now appear to have improved and be broadly compliant with the Local Government Association’s guidance on spending. However, it remains unsatisfactory in a number of respects. For example, we were told that some of the invoices we requested in July 2017 (which were abstracted from Lambeth’s website) were duplicates. So clearly the problem is still not fixed.

We consider published ‘expenditure over £500’ data before April 2015 to be not-fit-for-purpose and as a result, Lambeth has not complied with the requirement on councils to publish ALL expenditure over £500.

Lambeth Council states that ‘expenditure over £500’ is not used to produce the accounts. However, it is not unreasonable of the public to expect that any financial data published next
to the statement of accounts is consistent with those accounts. That was not the case for 2015/16. This raises two queries:

(i) Why is it that it takes a member of the public to discover these errors?
(ii) Given that this error has been found, what other areas of the finance system might also be defective?

**Issues from the Peoples’ Audit that Lambeth is yet to address**

This is a sample of the issues in our report that have still not been addressed by Lambeth Council:

- **New Town Hall.** Please explain how it is that a project which we were told would cost £50M and save the public money is now costing £104M (Section 5 of report).

- **New Town Hall.** Please explain why Lambeth have accepted a bid from Muse which only had 20% affordable housing when it was stated in the cabinet minutes that 40% would be achieved. Lambeth state that they have paid an additional £5M to Muse to increase the affordable housing element from 20% to 40%. 194 homes x 20% =39 homes/£5M = £128,000 per home, which is more than the cost of building them. This is on top of the substantial discount that Muse have received in the price that they have paid for the lease of the land. Please explain (Section 5 of report).

- **Libraries.** Please provide the legal opinion stating that the deal struck between Lambeth and GLL was not in breach of the Public Contracts Regulations 2015. Please also explain why sponsorship of the Black Cultural Archive by GLL was conditional on the deal struck between Lambeth and GLL for the healthy living centres (Section 9 of report).

- **Payments without budget.** Please explain the obvious flaw in governance that allows contractors to be paid without a budget (Section 13.1 of report).

- **Contract Waivers.** Please explain why Lambeth’s Standing Orders are being ignored on such a large scale (Section 13.3 of report).

**Role of the external auditors**

**In Lambeth Council’s reply to the Peoples’ Audit, deputy leader, Cllr Imogen Walker states:** ‘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.’
The Peoples’ Audit Response:
Lambeth Council’s reliance on KPMG as a defence against concerns of financial mismanagement doesn’t tell the whole story. As we stated in our open letter to Lambeth “The majority of the questions that the report poses need to be answered by Lambeth council, not KPMG.” Furthermore, although the accounts have been signed off by KPMG, they state in their audit report:

“We will not be certifying our audit as complete as result of the objections we have received to the accounts”\(^{15}\)

It is entirely untrue of Lambeth to state with regard to our objections to the auditor that “No such evidence was provided”. Evidence has been provided to the auditor. At the time of writing there are still objections outstanding with KPMG, more than a year after they were submitted.

Lambeth’s claims about the Peoples’ Audit

The Peoples’ Audit team has never said Lambeth’s officers were obstructive. The finance officer we dealt with was very helpful and enthusiastic about our offer of help to review the problems in Lambeth’s contract management. In an e-mail to his managers dated 8th August 2016 he stated with regard to one of our team,

“By way of context, he is a quantity surveyor, and I found him to be knowledgeable, professional and credible, and he advised me that he had been able to reduce bills for final accounts from contractors on another public sector project by £8m - so I get the impression he knows what he is doing. Therefore, if there is any way of taking up his offer of assistance in (1), after due diligence on our part, I think this is an avenue worth exploring.”

This offer of help was then subsequently rejected by Lambeth, leading us to believe that the council’s leadership was reluctant to encourage scrutiny by residents. This is why we stated in our report “the attitude of the council as a whole was obstructive”\(^{16}\).

We find it hard to reconcile Lambeth council’s claim that it welcomes transparency with the reality of having to deal with them. Here are a few examples of what we encountered:

- With one exception (which fell outside the audit inspection period),\(^{17}\) Lambeth did not provide back-up calculations to any invoices they provided.\(^{18}\) Why Lambeth council chose to waste officers’ time retrieving invoices and then sabotage the process by not providing the back-up calculations is a question that only Lambeth can answer.
- In 2015/16, Lambeth failed to provide us with a single contract, citing commercial sensitivity.\(^{19}\) Despite requests for them to provide public interest tests as to why contracts are commercially sensitive they have failed to provide any.\(^{20}\)
- Despite MPs being required to make public their expenses and other councils publishing councillors’ and officers’ expenses,\(^{21}\) Lambeth have refused to provide this information, stating that this is personal information.\(^{22}\)
• Lambeth have refused to provide answers to Freedom of Information requests, forcing us to escalate questions to the Information Commissioner. In one example, we had to wait nearly a year for a one-sentence response from Lambeth, which the Information Commissioner’s Office had ordered them to release. 23

During the 2015/2016 audit, Lambeth Council provided the Peoples’ Audit with 203 invoices. 24 The balance of the information provided was spreadsheets and cost downloads from the finance system. The finance officer held meetings with five of us.

Lambeth Council claims 230 hours – six working weeks - of officer time was spent on dealing with our requests. If this is true, it only serves to highlight how dysfunctional the organisation is.

It speaks volumes that in one case, we had to tell the finance officer who the responsible managers were in the housing department that he needed to talk to in order to retrieve information. 25

Conclusion

The Peoples’ Audit report was the result of the voluntary efforts of ten Lambeth residents with a range of financial and management expertise and decades of experience in commercial, voluntary and public sectors. They used the powers of the 2014 Local Audit and Accountability Act to gain access to information about how Lambeth spent its money in 2015/16.

The researchers were denied access to many key documents. The limited information gleaned was enough, however, to demonstrate there are extensive problems in the way Lambeth’s managers keep track of the money it spends.

The response provided so far by Lambeth does not adequately address any of the concerns we raised in the Peoples’ Audit Report. We believe there will be no progress until Lambeth Council’s leadership admits there is a problem with how its finances are managed. No amount of PR spin can obscure the facts. The Peoples’ Audit will continue to hold Lambeth council to account for the financial decisions they make.

The offer to meet with Lambeth Council remains open.

Lambeth Peoples’ Audit September 2017
References

1 https://twitter.com/PeoplesAudit/status/887972805110882304


3 http://www.publicfinance.co.uk/feature/2017/02/dont-be-deceived-how-spot-and-stop-bid-rigging

4 Final account for Wyvil estate sent via e-mail dated 14th September 2016 from Lambeth council officer to Peoples’ Audit.

5 http://www.lgo.org.uk/information-centre/reports/annual-review-reports/local-government-complaint-reviews

6 http://www.lgo.org.uk/information-centre/reports/annual-review-reports/local-government-complaint-reviews

7 http://www.rightmove.co.uk/house-prices/SW16/Mountearl-Gardens.html

8 Lambert Smith Hampton issued their valuation of the land in question to Lambeth on 2nd September 2014. This followed an offer for the land from Pocket Living.


10 http://www.fourcommunications.com/who-we-are/our-people/jim-dickson


13 https://www.whatdotheyknow.com/request/shortfall_in_published_invoices#incoming-940737

14 Lambeth council officer e-mail to Peoples’ Audit dated 31st July 2017.


16 Lambeth Peoples’ Audit 2015/2016 Report-Section 4.1, 2nd paragraph.

17 Final account for Wyvil estate sent via e-mail dated 14th September 2016 from Lambeth council officer to Peoples’ Audit.
18 Lambeth council officer e-mail to Peoples’ Audit dated 11\textsuperscript{th} July 2016.

19 Lambeth council officer e-mail to Peoples’ Audit dated 27\textsuperscript{th} July 2016.

20 Peoples’ Audit e-mails to Lambeth council officers dated 14\textsuperscript{th} July 2016.

21 \url{https://www2.merton.gov.uk/council/councillors/councillors-payments/expenses.htm}

22 Lambeth Council officer e-mail to Peoples’ Audit dated 25\textsuperscript{th} July 2017.

23 \url{https://www.whatdotheyknow.com/request/ps83m_reserve#outgoing-671783}

24 Invoices received as follows:

1. E-mails from Lambeth council officers to Peoples’ Audit dated 4\textsuperscript{th}, 9\textsuperscript{th} and 10\textsuperscript{th} August and 2\textsuperscript{nd} September 2016:
   - Mechanical and electrical contractors-52 Nr
   - Arcadis-5 Nr
   - CT Plus-19 Nr
   - Dainton-2 Nr
   - Lexington-3 Nr
   - Muse-2 Nr
   - Capita-19 Nr
   - Kelly-27 Nr
   - Lambert Smith Hampton-4 Nr

2. E-mail from Lambeth council officer to Peoples’ Audit dated 22\textsuperscript{nd} July 2016:
   - Mears & OCO-7 Nr

3. E-mail from Lambeth council officer to Peoples’ Audit dated 27\textsuperscript{th} July 2016:
   - Matrix SCM-28 Nr

4. E-mail from Lambeth council officer to Peoples’ Audit dated 11\textsuperscript{th} August 2016:
   - GLL-2 Nr

5. E-mail from Lambeth council officer to Peoples’ Audit dated 7\textsuperscript{th} August 2016:
   - City Suburban Tree Surgeons-34 Nr

25 Peoples Audit e-mail to Lambeth council officer dated 14\textsuperscript{th} July 2016.