

**Full Council 26 November 2014  
Decision 12.3 Motion regarding the Best Value Inspection  
undertaken by PwC**

**Proposed by: Councillor Peter Golds  
Seconded by: Councillor Chris Chapman**

**Amendment proposed by Councillor Rachael Saunders  
Seconded by Councillor Shiria Khatun**

This council believes:

1. That a wide range of local people and organisations have tenaciously fought long standing campaigns on unjust distribution of grants, improper decision making in the procurement of services and failures in the disposal of assets, including through rigorous scrutiny and debates at full council.
2. That public money is at stake, along with public trust and proper accountability. Every community in our country is entitled to the highest standards of probity and honesty in our democracy. No community should have to put up with lower standards of democracy and transparency.
3. That the Mayor and his administration can no longer avoid taking responsibility for their failures now that an audit report has set out multiple failures of the best value duty.
4. That in the debate in the House of Commons members of parliament from across political parties were shocked by the failures of the administration and the Mayor.
5. That multiple failures of the best value duty – the statutory responsibility of local authorities to do the right thing with tax payer’s money – are extremely serious, and that local people are deeply concerned about the leadership of this authority.

This council further believes:

1. That the report sets out nine ongoing criminal investigations into alleged fraud relating to youth services.
2. That the report demonstrates that, through changes to grants recommendations, the Mayor chose to make cuts to vital services in the poorest parts of the borough, whilst giving money to organisations ruled ineligible.
3. That the view of the auditors is that “current governance arrangements do not appear to be capable of preventing or responding appropriately to failures of the best value duty”.

4. That Lutfur Rahman has brought shame to our great borough, and should consider his position.
5. That there are many important questions to which local people deserve answers.

This council resolves:

1. To require from the Mayor and senior management team of the council a full response to the issues raised in the auditor's report, including but not limited to answers to the following questions:
  - According to the audit report, there is evidence of nine incidents of alleged fraud in relation to the Youth and Community Service, and that "no discernible procurement process appears to have been followed". Please provide the fullest possible information about these payments. Will the Mayor and corporate director cooperate fully to ensure that these police enquiries can be concluded as soon as possible? What action will the mayor take to reassure local people about the quality and integrity of their youth services?
  - The report has found that the Mayor's decisions led to cuts in grants to the poorest parts of the borough. What is the mayor's explanation for these cuts? What will he do to reinstate the services that were cut unjustly? Please provide full information about the monitoring that has been done of services funded through all grants awarded since May 2010.
  - There are multiple examples of buildings – Poplar Town Hall, Sutton St depot – sold to bidders who submitted their bids after those from their competitors had been opened. Why was a one year rent free period given, and why was £50,000 given for health and safety works? Why was £135,000 handed over to a private business? This incentive was not offered to other bidders. Does the Mayor regard this as acceptable practice? What will he do to prevent it happening again? Who does he regard as responsible for their failures of the Best Value Duty?
  - Over the course of this four year term the Mayor proposes to spend £1.4million on mayoral advisers. The audit report found that spending on his media advisers failed the best value duty. Will he cut his wasteful advisers instead of proposed cuts to nurseries for disabled children and proposed cuts to social services?
  - What was the 954 fund?
  - Can the Mayor explain his role in the procurement of learning disability day services, as set out in the report? How did that decision relate to what was happening with the mainstream grants process?

2. This council resolves that this should be sent to all councillors by the 12<sup>th</sup> December 2014.
3. That this response should also answer all issues and questions raised in the original motion 12.3, and should cover all other issues of public concern and each of the best value failures identified.
4. That following receipt of this, and its consideration by political groups on the council, (or in any case if a response from the executive is not forthcoming) we mandate the Overview and Scrutiny committee to undertake further interrogation of issues raised in the report as it sees appropriate, and to report back to Full Council on its findings.

This council further resolves:

1. That whilst it is a source of shame to this borough that we have reached the point of government intervention, this council resolves to work constructively with commissioners, assuming that they are appointed.
2. That it is vital that scrutiny arrangements are in place to provide democratic oversight of the work of the commissioners. To call on the head of paid service to ensure these arrangements are in place.
3. To call on the Head of Paid Service to convene the long awaited governance review, with councillor representation from all political groups and representatives from the LGA, as a matter of urgency, in the light of the governance failures set out in the report.
4. To reaffirm our position on the need for a Chief Executive with full authority, and permanent appointments to the other two statutory officer positions.
5. That, if Lutfur Rahman and his cabinet increased the cost of the audit through delays, he should pay from his own pocket. Local people have already paid many times over for his failures.

**Full Council 26 November 2014  
Decision 12.3 Motion regarding the Best Value Inspection  
undertaken by PwC**

**Original Motion Proposed by: Councillor Peter Golds  
Seconded by: Councillor Chris Chapman**

This Council notes the delivery of the Best Value Inspection undertaken by PwC and presented to Parliament on November 4<sup>th</sup>.

The Council also notes that there were two major speeches from both the Government and Opposition front benches and nineteen contributions from backbenchers from all sides of the House. In all of these serious questions were raised as to the organisation and management of this Authority.

As a matter of fact and public interest the Council records the following from the report:

1.11. We note in addition that, as at the date of this report, there are a number of criminal investigations ongoing into allegations of fraud.

2.57. We note that evidence of possible fraudulent payments has been identified and reported by the Authority to the police in connection with nine third sector organisations (not included in our sample) that received monies under the YCS programme. By agreement with the police, we have not examined these matters in detail.

The Council expresses concern that the obvious fact that PwC did not examine matters that are currently being considered by the police is being intentionally misrepresented.

As a further matter of fact and public interest the Council also records the following from the report:

1.46. "Despite its public assertions of support for the Inspection, the Authority has at various stages raised a number of obstacles to our progress which have significantly delayed the provision of information or documentation and which in large part led to our request for an extension to the timetable for the inspection.

The Council notes the following quotations with regard to each area of Inspection.

With regard to grants the report states:

2.7. In relation to the matter of grant making we conclude that the authority is failing to comply with its best value duty.

2.7. A lack of transparency generally over the rationale for decisions as to grant awards. Where application processes exist, the evaluation of these applications has been to a significant event overridden without any clear rationale.

2.7. Grants were awarded to organisations which were ruled ineligible or which did not meet the required evaluation score.

2.33. Applicants [who had not met the minimum criteria for an award after evaluation] were recommended to receive, in total, awards of £407,700.

2.36. In interview, the Mayor told us (PWC) that he had not been involved in the detail of awards, although he had kept abreast of things generally through occasional high level discussions with one Member in particular. This is somewhat at odds with an email dated 8 August 2012, shortly after the initial circulation of the original officer recommendations, which stated that *“the Mayor has requested a vastly expanded Appendix 1”*. We also note that a press statement dated 1 April 2014 put out by the Mayor’s office in response to the BBC Panorama programme included an assertion to the effect that the Mayor, acting within his powers, had intervened in 32 specific cases.

With regard to the transfer of property by the authority the report states:

2.8: In relation to three of the four property transactions we looked at in detail, namely Poplar Town Hall (“PTH”), Sutton Street Depot and Mellish Street, we conclude that in those instances, **the Authority failed to comply with its best value duty.**

Concerning the disposal of Poplar Town Hall, the report refers to the **six** reports submitted by Mazars to the council. It confirms, 2.9, that the authority accepted a late bid from the winning bidder after other bids had been opened, that the authority did not, in fact, select the highest bidder, and that the winning bidder also asked for and was granted changes to the contract which it had signed. Finally it notes “as a matter of fact”, the winning bidder is connected to a person with other business interests that had an association with the Mayor.

Noting the contract race, as outlined in 2.9., the report publishes, 5.71b, the email exchange with the following statement from a Council solicitor;

“However, (an officer) is only doing what he is told, this has come from the Mayor.”

Summing up, PWC expresses concern at the comments made in 5.104-5.109 that the instruction to Mazars was “a narrow interpretation of the Full Council’s resolution” and as a result, records, 5.105, “It does not appear that Mazars have conducted a further investigation of the potential conflicts of interest.

With regard to the disposal of 111-113 Mellish Street:

PWC identifies the involvement of the Mayor in the leasing of this site in 5.182, whereby the group who were to acquire the site confirm by email that “He (the Mayor) would instruct an officer to support Consortium Member 1 in locating premises for their purpose.”

5.185 discloses the involvement of the Mayor in the ongoing process.

There are further details as to the short period of marketing the site, the low valuation and controversies as to its use following acquisition by the successful consortium.

The disposal of Sutton Street depot indicates further concerns as to best value in its disposal and is covered in detail in sections 5.120-5.180.

The Council further notes that East End Life was excluded from the investigation but with regard to publicity:

2.13-2.14 PWC, in examining whether “media advisers to the Mayor were genuinely for the benefit of the authority or of a party political nature pertaining to the Mayor.”, conclude that “we found a lack of control around the monitoring of the demarcation of activities, based on a lack of documentation based on these activities.” Their final conclusion is a failure to comply with best value duty.

2.17 concerns the Ofcom findings as to political advertisements placed on TV channels and concludes, “This itself constitutes a failure to comply with best value duty.”

The report is critical with regard to contracting:

2.108: “Both we in our limited sampling and the Authority’s Internal Audit function in their work have found instances of procurement policies and procedures have not been adhered to. Examples include:

- a. An absence in a significant number of cases of signed contracts;
- b. A prevalent lack of audit trail in procurement documentation;
- c. Some instances during the early part of the Period where the correct number of quotations had not been received. On the evidence we have examined, we do not see this recurring to the same extent later in the Period;
- d. Lack of evidence of tollgate reviews in a significant minority of procurement files;
- e. Some examples of a failure to provide bidders as required with information concerning the criteria for evaluation of bids;
- f. Lack of maintenance of complete contracts registers by directorates; and
- g. Lack of monitoring by Central Procurement of the adherence of directorates to procurement procedures in their areas.”

2.109: In addition, there is some evidence – albeit disputed – of the involvement of the Mayor and/or other Cabinet Members in the selection of suppliers in one case at the PQQ stage.

The Council notes the following conclusions regarding the governance and overall management of the Council:

2.23: “in our view the current governance arrangements do not appear to be capable of preventing or responding appropriately to failures of the best value duty of the kind we have identified. This calls into question the adequacy of these governance arrangements”.

2.22: “Furthermore, in our view the Authority’s response to the identification of issues in the above areas [i.e. the areas considered in the report] suggests a tendency towards denial or obfuscation rather than an inclination to investigate concerns raised”.

2.22 (d): “in its communications with advisers and others in relation to the BBC Panorama programme, the Authority tended to pronounce allegations to be baseless and/or politically motivated without having conducted what we would consider to be an adequate investigation into the issues raised”.

2.20: “At the core of the Authority’s system of governance are the statutory officers, specifically the Head of Paid Service, the section 151 Officer and the Monitoring Officer. All of these positions have been held by a variety of individuals through the course of the Period. Currently, all of these positions are held on an interim basis.”

2.113: “Since July 2012, the Authority has had no Chief Executive. One of the Authority’s Corporate Directors has since that time (with a short hiatus) fulfilled the role of Head of Paid Service, as required by statute, however the Head of Paid Service has not had the full powers of a Chief Executive delegated to him under clause 3.5.5 of the Authority’s constitution. These powers have remained with the Mayor. This means that, for most purposes, the Head of Paid Service, other statutory officers (being the Section 151 Officer and the Monitoring Officer), as well as other Corporate Directors are all directly accountable to the Mayor.”

This Council, noting this ongoing failure of governance and best value:

- Welcomes the appointment of Commissioners to oversee Best Value in the future and pledges to work with them to this end.
- Seeks to ensure the speedy appointments of; 1. A Chief Executive; 2. Monitoring Officer and 3. Section 151 Officer, to work with the Commissioners, Administration and Council.

- The Council refers the PWC Report to the overview and Scrutiny to consider comments relating to the disposal of Poplar Town Hall in their deliberations, drawing attention to the comments in 5.104-5.109 regarding the narrow interpretation of the original resolution of January 2014 and inviting Mazars, in view of this to further examine “conflicts of interest.”
- The Council with regard to the disposal of both 111-113 Mellish Street and the Sutton Street Depot resolves:
- To instruct the Head of Paid Service to call in the District Auditor to undertake an immediate investigation into the marketing and disposal of both sites.
- That this investigation should include details of all meetings held between officers of the council, bidders and those responsible for publicising the sale.
- That the investigator should identify and publish details of all meetings and correspondence between the Mayor, Cabinet and Mayor’s Office relating to the disposal of both sites.
- That there should be an independent property valuer to establish the estimated values of both sites at the time of disposal and that this should not be the consultants used in the marketing at the time.
- That, in view of the seriousness of this situation, produces a report to be considered by first the Overview and Scrutiny Committee and then reported to the full council.
- Furthermore, in view of the concerns raised by PWC as to the terms of reference given to Mazars with regard to Poplar Town Hall, the terms of reference should be agreed with the Proposer of this motion and the Chair of the Overview and Scrutiny Committee.