

Committee: Overview & Scrutiny	Date: 02:12:12	Classification: Unrestricted
Report of: Louise Russell Service Head, Corporate Strategy and Equality		Title: Best Value Inspection – Overview and Scrutiny Wards Affected: ALL

1. Summary

- 1.1 This note details references made to Overview and Scrutiny within the best value inspection report undertaken by PricewaterhouseCoopers LLP (PwC).

2. Recommendations

- 2.1 That the committee note the findings of this report.

3. Background

- 3.1 On the 4th April 2014 the Secretary of State for Communities and Local Government (DCLG) appointed PwC to undertake a best value inspection of the London Borough of Tower Hamlets pursuant to section 10 of the Local Government Act 1999 (as amended by the Local Audit and Accountability Act 2014).
- 3.2 The appointment letter indicated that the focus of the inspection would include:
- The Authority's payment of grants and connected decisions;
 - The transfer of property by the Authority to third parties;
 - Spending and the decisions of the Authority in relation to publicity; and
 - The Authority's processes and practices for entering into contracts.

4. Overview and Scrutiny within the best value inspection report

- 4.1 Whilst Overview and Scrutiny (O&S) Committee was not a specific focus of the inspection, PwC's report makes clear that their work had regard to matters escalated through the Council's own governance processes, including Overview and Scrutiny.
- 4.2 This includes, for example, Call-ins informing the sample of contracts selected for detailed review. In addition, PwC's report notes that the four properties identified for further investigation (Poplar Town Hall, Sutton Street Depot, 111 – 113 Mellish Street and Limehouse Library) were also known to them as a result of, 'third party information and / or the authority's own governance processes (e.g. the O&S Committee).'

- 4.3 The inspection report references a number of other issues, or comments, raised by Overview and Scrutiny Committee, or through a Call-in, in its final report, including in relation to:
- Mainstream Grants
 - 954 Fund
 - Community Chest and Community Events
 - Disposal of Poplar Town Hall
 - Lease of Sutton Street Depot
 - Transfer of funds from reserves to the Mayor's Office

4.4 Further detail about these references is provided as appendix 1.

4.5 The inspection did not directly assess the effectiveness of Overview and Scrutiny Committee or how it fulfils its functions.

5. LEGAL COMMENTS

5.1 The Council is required by section 9F of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its inhabitants and may make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions.

5.2 The report provides information relevant to the best value inspection carried out by PwC for the Secretary of State. The Committee has responsibility for its own work programme and may, if it chooses, carry out further work in relation to matters raised in the PwC report.

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

6.1 There are no specific financial implications arising from this report.

LOCAL GOVERNMENT ACT, 1972 (AS AMENDED) SECTION 100D

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Background paper	Name and telephone number of and address where open to inspection
None	

APPENDIX 1: REFERENCES TO OVERVIEW AND SCRUTINY WITHIN INSPECTION REPORT

Paragraph	Reference
1.36	<p><u>General</u> The report explains that the inspection had regard to matters considered by Overview and Scrutiny Committee and the Internal Audit function.</p>
2.27	<p><u>Grants</u> The report notes that certain grant programmes in particular have been the subject of concerns raised both before and during the Inspection, both by individuals inside and outside the Authority and through the Authority's own governance processes, notably Call ins by the O&S Committee.</p>
2.115	<p><u>General</u> The report explains that any Key Decision must be published and can be called in prior to implementation by the authority for review by its O&S Committee. The report also highlights that where changes are recommended, the decision is referred back to the Mayor. PwC note that of the 23 decision subject to Call-in 19 have remained unchanged from the original Key Decision by the Mayor.</p>
3.22 - 3.24, 3.31	<p><u>General</u> The report summarises the functions of the Overview and Scrutiny Committee and provides detail about the call-in procedure.</p>
4.32	<p><u>Grants: MSG</u> The report states that the Service Head for Resources and Economic Development (Co-Chair of the CGPB) responded to Councillor Miah by email and outlined that, due to the high risk of Call in by the O&S Committee, it would be unlikely that there would be a formal decision on the MSG 2012-2015 awards until October 2012.</p>
4.56 – 4.58	<p><u>Grants: MSG</u> The report highlights that the 3 October 2012 MSG decision taken by the Mayor in Cabinet was subject to a Call in by the O&S and considered by them on 6 November 2012. The report stated that concerns were raised by the O&S Committee in respect of the process, the impact on organisations doing critical work in the Borough, the nature of new organisations receiving funding and the geographical balance of organisations that were recommended to receive funding. In addition, the</p>

	<p>O&S Committee noted that there had also been complaints from organisations about long delays and that the process kept changing.</p>
<p>4.64-4.67</p>	<p><u>Grants: MSG</u> The report provides detail about O&S Committee meeting on 17th December 2012, during which the Mayoral Executive Decision 19 (Mainstream Grants) was called in and debated.</p> <p>PwC’s report sets out issues raised at that Overview and Scrutiny meeting, including in relation to, “...changes to officer recommendations, the Equality Assessments and awarding grants to ineligible and new organisations that did not have a proven track record.”</p> <p>The report also sets out that the O&S Committee resolved to refer the [Mainstream Grants] decision back to the Mayor for further consideration, and that the Committee also endorsed the comments of the O&S Committee Chair to refer the matter to the District Auditor for further probing.</p>
<p>4.105 – 4.106</p>	<p><u>Grants: 954</u> The report addresses the relationship between the 954 Fund and the MSG 2012/15 programme. It highlights O&S’ comments, as set out in a report dated 6 November, in relation to the 954 Fund not being added to the MSG process, “...detrimental to those that have lost significant amounts of funding. Their ability to bid for this funding is also impeded and there have been no proposals set out as to how this fund will be used.”</p> <p>The report references O&S Committee meeting on 7 December during which the Service Head for Resources and Economic Development is noted as saying that the Mayor did agree that officers should monitor the effects of the welfare changes on the community and that there is an additional £945,000 [£954,000], some of which may go towards supporting the Third Sector to provide welfare support.</p>
<p>4.184</p>	<p><u>Grants: Community Chest and Community Events</u> The report highlights that the Community Chest and Community Events programmes were subject to Call in to O&S Committee three times: in July 2013, November 2013 and January 2014. The report states the reasons for this included concern about a lack of transparency in officer recommendations, geographical imbalance in award distribution and unjustified transfer of residual Community Chest funds to the Community Events fund.</p>

5.28	<p><u>Property</u> The report sets out the process for selecting four properties for further review [Poplar Town Hall, Sutton Street Depot, 111 – 113 Mellish Street and Limehouse Library], including their own initial review. PwC’s report also notes that each of these properties was also known to them as a result of, “third party information and / or the Authority’s own governance processes (e.g. the O&S Committee).”</p>
5.99 (E)	<p><u>Property: Poplar Town Hall</u> The report highlights the Full Council resolution of 22nd January 2014 in regards to the disposal of Poplar Town Hall during which directions were given for a report to be produced to O&S Committee by March 4th and Full Council by March 26th.</p>
5.100	<p><u>Property: Poplar Town Hall</u> The report notes that PwC had access to a report to O&S Committee produced by the Interim Monitoring Officer in relation to Poplar Town Hall.</p>
5.110 – 5.111	<p><u>Property: Poplar Town Hall</u> The report sets out details of the Interim Monitoring Officer’s report to O&S Committee in response to the Full Council resolution in regards to Poplar Town Hall.</p> <p>The report highlights information provided to O&S Committee by the Interim Monitoring Officer advising the committee that the direction to obtain an independent valuation of Poplar Town Hall, as agreed in Full Council, had been overlooked and would be addressed prior to the O&S Committee meeting on 22nd July 2014.</p>
5.162	<p><u>Property: Sutton Street Depot</u> The report details the explanation provided by Cllr Choudhury to O&S Committee on granting the occupants of the Sutton Street Depot 12 months’ rent free due to the presence of asbestos.</p>
5.170 - 5.177	<p><u>Property: Sutton Street Depot</u> The report sets out the findings and concerns of O&S Committee following the call in of the Mayor’s decision in relation to the Sutton Street Depot.</p> <p>The reports highlights a number of concerns of the Overview and Scrutiny Committee, including: the Mayor had provided no rationale for his decision to go against officer recommendations; the decision could result</p>

	<p>in a legal challenge from unsuccessful bidders; that the Authority provided an unfair advantage to SSD Bidder A; the decision creates a precedent for future preferred bidders to “move the goalposts”; and the decision to select a bidder with no financial records.</p> <p>PwC’s report notes the Mayor’s absence from the meeting and Cllr Choudhury responded to the concerns of the committee.</p> <p>PwC’s report sets out a detailed account of the exchange and the recommendation of the committee, which was for the Mayor to reconsider the rent free period.</p>
6.66 – 6.67	<p><u>Mayor’s Office</u> The report notes the call-in to O&S Committee on 9th May 2013 of the Mayoral Executive Decision to vire £296,000 from general reserves to the Mayor’s Office Budget to replace the funding for Mayor’s advisors rejected by the Full Council.</p> <p>The report highlights the discussion between O&S Committee and the Mayor as to whether the transfer of funds to the Mayor’s office budget constituted a key decision. The report notes the resolution of the O&S Committee to refer the decision back to the Mayor for further consideration.</p>
7.3 (C) & 7.47	<p><u>Contracts</u> The report references O&S Committee call-ins as a source informing its sample of contracts selected for further review.</p>
7.87	<p><u>Contracts</u> The report notes that the Executive decision in relation to ESCW4468 (Direct Payment Support Service) is subject to an O&S Committee Call in and has been excluded from the PwC sample.</p>