



Overview & Scrutiny Committee

**Management of major works –
review of issues for tenants and
leaseholders**

July 2005 – March 2006

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Introduction

1. This report sets out recommendations arising from the Overview & Scrutiny Committee's review of the management of major works, particularly focusing on issues for tenants and leaseholders.
2. Generally, we are of the opinion that the service now offered by the council to leaseholders has improved. However, we identified problems in respect of a lack of training and knowledge about leaseholders' issues, particularly in area housing offices. Computer systems are still failing to produce accurate bills, particularly for major works and the practice for charging remains confused, specifically for estimated invoices.
3. We came to the view that expertise exists within the council but that it is not widely spread – consistency and consistent effort must be a priority.

Background to the review

4. The review began in response to several separate but interrelated issues:
 - The 2003/2004 annual report on major contracts works, deferred by Housing Scrutiny Sub-Committee on February 9 2005
 - A Council Assembly motion on major works on the Brandon Estate, passed to Executive on April 5 2005, which highlighted areas in relation to major works contracts which might be improved
 - A report considered by Executive on April 5 2005 outlining initiatives to improve communication to leaseholders and right to buy applicants
 - The Housing Scrutiny Sub-Committee's recommendations to the Executive on leaseholders which included that priority be given to the production of the Leaseholders' Handbook and that the Executive Member for Housing Management take an active part in negotiation of the actual service charge invoices for 2002/2003
5. To an extent, the form and conclusions of our review of major works reflected these disparate elements. We heard from a range of witnesses on a variety of themes, which came under a broad heading of management of major works.
6. Between the date of the first session on July 4 2005 until the close of the review in March 2006, membership of the committee was:

Councillor Kim Humphreys (Chair)
Councillor James Gurling (Vice-Chair until November 14 2005 meeting)
Councillor Bob Skelly (Vice Chair from January 23 2006 meeting)
Councillor Fiona Colley
Councillor Barrie Hargrove
Councillor Eliza Mann

Councillor Andy Simmons
Councillor Neil Watson
Councillor Anne Yates (from January 23 2006 meeting)

Reserve Members were Councillors Billy Kayada and Jane Salmon.

7. During the review, we received evidence from:
 - Representatives of Brayards and Four Squares Tenants & Residents Associations
 - Harriet Harman, MP
 - Wooddene Residents Group
 - Councillor Jonathan Hunt
 - Leaseholders' Council
 - Strategic director of housing
 - Divisional leasehold manager
 - Housing investment strategy manager
8. We would like to thank council officers, representatives from tenants' and leaseholders' groups and all other individuals who gave their time to assist with the review by providing information, attending meetings and submitting comments.

Themes from the review

Leaseholders and service charging

9. We received written evidence from Harriet Harman, MP, which focused on issues for leaseholders. She proposed a capping of leaseholder charges and questioned the extent of consultation with leaseholders.
10. We considered Harriet Harman's suggestion that the council should cap leaseholder charges for work on estates to £10,000 in any five-year period; and her proposal to the Housing Minister that the cap on service charges be extended to include all government-funded major works charges. There was concern about how the proposal would work in reality, and how it could impact on tenants' repairs and implementing the Decent Homes Standard.
11. The divisional leasehold manager clarified that, through the individual decision making process, the council had agreed a policy in respect of the Secretary of State's directions of 1997 and 1999 (mandatory and discretionary reduction of service charges). The limits of discretion were not as wide as was suggested and contained measures of hardship that had to be met. The council was already using its discretion to the maximum in order to alleviate service charges.
12. The divisional leasehold manager confirmed that it was not possible for the council to apply a blanket cap on charges for major works and indicated that he was not aware of any authorities using other mechanisms to achieve this.

13. He also confirmed that the council already allowed elderly residents to charge service charges against their property, rather than seek immediate payment. In addition, the council offered a certain amount of money each year for buy-backs from people in need. Both of these schemes had been taken up by leaseholders.
14. Harriet Harman, MP, claimed that consultation with leaseholders was inaccurate. Her representative, Fiona Brenner, said that the problem was both a lack of communication and a lack of understanding of the content of communications and their rights. Many of the cases encountered by Ms Harman stemmed from problems with service charge estimates and the final invoices, and from changes to the methods for payment of service charges. Leaseholders did not seem to be aware that they needed to contact the council to negotiate their payments, and it was suggested that a simpler method should be publicised.
15. We asked whether the Council could make use of the power of well-being in order to make grants available. The divisional leasehold manager stressed the importance of making a clear distinction between the council incurring a cost as a local authority and as a landlord. If the cost was incurred as a local authority then the cost should fall on the general fund rather than the housing revenue account and should not feature in the service charges.
16. We heard representations from Leaseholders' Council on a range of issues. The principal points presented in their evidence were as follows:
 - There is a need to change the council's attitude to leaseholders at all levels, recognising that both parties are co-owners/ownership partners and need to work together on maintaining and improving the properties
 - Leaseholder Participation Contracts should be developed for each flat, block and estate covering major works (Section 20), repairs, maintenance and services
 - Detailed service standards should be prepared for each block and estate giving details of the work required and stating the periods when they should be carried out i.e. weekly, fortnightly, monthly
 - Long term programmes should be prepared for all major works ensuring against neglect of properties linked to financial planning to ensure that the works are carried out as planned
 - Regular officer training should be introduced to ensure good management at all staff levels
 - Performance of all contracts should be supervised regularly, during their performance and on completion, by staff trained to carry out such inspections; regular progress reports and consultation should be made to all residents
 - Financial measures and procedures should be introduced which ensure the accurate maintenance and presentation of accounts
 - All leaseholder services provided by the council should be reviewed with the aim of re-organising the departmental structure so it meets the need
17. We invited Leaseholders' Council to submit any further detailed comments.

18. We are of the view that leaseholder issues being raised are not unique to Southwark. The issues needed to be addressed on at least a London-wide scale, if not nationally.
19. Officers responded to the points raised by Leaseholders at the meeting on February 27 2006, initially emphasising that a number of policies had been introduced which demonstrated the housing department's positive attitude towards leaseholders. The former leasehold management unit had been reviewed. Related functions had been centralised as a result and the presentation of accounts had been improved. A range of officer training was in progress, including on procurement and contract management, and on Section 20 consultation and inspection of accounts. The divisional leasehold manager had undertaken training for staff but there was an acceptance that there needed to be more widespread initiatives.
20. It was acknowledged that tenants compacts needed to be reviewed with both tenants and leaseholders. Five-year major works programmes were being developed in each of the housing areas, informed by the stock condition survey and in order to meet the Decent Homes Standard. A report was to be submitted to the Executive in March on major works partnering contracts.
21. We received further evidence that the introduction of more partnering contracts would require the council to seek more variations from the Leasehold Valuation Tribunal (LVT) to waive Section 20s. Representatives from Leaseholders' Council responded that there would need to be greater transparency on costs.
22. **We recommend that the Executive review service charges to ensure that costs are being levied appropriately in terms of the distinction between general fund and housing revenue account.**
23. **We recommend that further leasehold training for area housing staff be prioritised so that 100% of staff receives adequate training by the end of the 2006/2007 financial year.**
24. **We recommend that development of five-year major works programmes be completed as a matter of urgency and by no later than September 2006.**

Major Works Charging

25. We received further written evidence from Leaseholders' Council providing a case history of major works at one property at Arica House, SE16, which showed that eight S20 Notices had been issued since 1991. The case history showed examples of failure relating to:
 - Issuing of S20 Notices
 - SBDS/Housing properly managing contacts, leading to extra costs for the council

- Proper specification of the contract before going on-site
 - Flexibility and responsiveness in relation to S20 Notices
26. Performance could have been improved with better co-operation with residents, in specification and monitoring of contracts.

Estates awaiting works

27. We received evidence from Four Squares Estate Tenants & Residents Association who were of the view that the council had neglected the estate, which had suffered from a lack of investment and was in need of major works. As a result, the estate was plagued by anti-social behaviour. CCTV was to be installed as a priority but tenants felt that no other funding was available. Residents on the estate felt that they had not been adequately consulted on the positioning of cameras and wanted further information, for instance as to who would be monitoring the pictures. Generally they felt that their concerns were not being listened to and that the council was failing to take action.
28. In response to our questions, the Four Squares Estate representative expressed the view that the reorganisations of housing management had an impact on the council response. Officers clarified the position in terms of the possible extent of funding required to undertake works on the estate, provided in response to a request from a solicitor working for a leaseholder planning to sell their property and reported in the local press.
29. Officers reported that, in terms of security measures, work would initially be done on two of the squares and eventually on all four. A request had been made to the London Housing Board to use all grant on security measures. Lighting would be improved as part of the security contract.
30. We asked whether there were any proposals to address problems with garages on the estate. Officers explained that there were plans to change the layout of the garages to increase visibility and to make them accessible via a security system. The area would be redesigned.
31. We also received evidence from Michael Bukola and Daniel Smith, representing the Wooddene Residents Group, and Councillor Jonathan Hunt, in respect of decanting on Wooddene. The witnesses raised concerns about the knowledge of front line officers, the effectiveness of the project team and the Tenants & Residents Association and security on estates during decant.
32. We asked questions around the composition and operation of the project team. Officers said the team comprised of 14 residents from across the estate, all of whom had expressed prior interest in being on the project team (via questionnaires in 1998/9, or at the public meeting in 2000). Officers confirmed that there was a delay with getting the project team restarted. The project team fell into disuse once the decant started – partly because the focus of the team changed from the redevelopment of the site to focus on individual cases of decanting, but also because many team members were decanted by the end of

the summer of 2004. Members suggested there was a lesson in this about losing project team members to the decant process.

33. We also discussed the role of Tenants' and Residents' Associations (TRAs) and whether the project team worked with TRAs to keep people informed. A survey conducted by Wooddene Residents Group indicated that Wooddene residents had not received information from the TRA. Officers commented that Acorn TRA was generally believed to be one of the more effective TRAs, and that there was not normally a problem with encouraging people to be involved in regeneration schemes.
34. Councillor Jonathan Hunt was invited to give evidence. He drew attention to the fact that squatters had moved onto the estate and to the increased number of break-ins. In his view, the response from the police had not been satisfactory and fear amongst the remaining residents was growing. Councillor Hunt suggested that a dedicated communication line to the police was needed to ensure a quick response to security problems on the estate and that the decanting needed to be quicker for the sake of those left behind.
35. We discussed the security issues on Wooddene Estate. Officers said that Southwark had experienced a greater influx of squatters in its properties than in recent years, due to movement of squatters from Coopers Road. Security issues on decant estates varied according to the design and layout of the buildings, and Wooddene's design made it more difficult to safeguard against squatters. It had been as isolated as much as it could; legal action had been taken, and police and community wardens had been involved. We were also informed that all lights and lifts were now working. Security wardens remained on the premises until 11:30pm; after this time the police were responsible for responding to security issues.
36. We discussed whether community alarms schemes would be of benefit. Officers said the scheme was available for some vulnerable tenants, and they would look into whether this would be of benefit to the decant. The assistant chief executive (performance and strategy) was asked to ensure that the council emphasised to the police the need for a very visible presence late at night on the estate. Action needed to be taken to allay fears.
37. We concluded our discussions by noting that the Regeneration & Resources Scrutiny Sub-Committee would be looking at decanting lessons at its November 2005 meeting. We asked for evidence relating to Wooddene to be submitted to the sub-committee at this time.
38. **We are awaiting Regeneration & Resources Scrutiny Sub-Committee's findings on decant but, in the interim, express concern that the process used on Wooddene led to the isolation of some residents and genuine community safety issues; the council needs to provide protection in these circumstances.**
39. **We recommend collaboration with Tenants' & Residents' Associations and Project Teams in drawing up proposals and keeping people informed.**

40. **We recommend that arrangements are put in place when decants begin in order to ensure that representatives on Project Teams are replaced once they have been decanted.**

The customer's experience of major works

41. We heard from representatives of Brayards Tenants & Residents Association. In summary, the following areas were raised:
- Extent of consultation with tenants and residents on processes (including contract specification, tendering and award of contracts)
 - Adequacy of surveys prior to contract specification
 - Monitoring of contracts (particularly at local level, site management)
 - Accountability
 - Treatment of tenants when work underway (e.g. notice of work, provision of schedule of works and of information generally, impact on living conditions, customer care)
 - Response to complaints (compliance with complaints procedure)
 - Ability of individual officers to manage contracts at local level
 - Whether best value is being achieved and impact of over-spend on funding for other estates
42. Officers reported back on these issues at our meeting on September 12 2005. The business technical manager indicated that from April 2002 onwards the level of consultation on Brayards had been extensive. Once the contract started, fortnightly surgeries had been arranged to address concerns raised. The contract had also been reviewed via tenants' and residents' association meetings. Officers were surprised at allegations about poor contract monitoring.
43. The divisional leasehold manager indicated that officers from the unit were available to attend meetings with residents at the early stages of any consultation concerning major works to estates. It was important that residents gained some sense of the cost implications as soon as possible in the process. The divisional leasehold manager emphasised that initial meetings focused on possible design solutions and that subsequent meetings were necessary to address specific service charge issues.
44. We were concerned that issues raised at meetings of housing forums had not been adequately investigated or reflected in the officers' report. For example, the view was expressed that major problems had arisen during work on the first block, which had been raised at forum meetings, and that the tenant liaison officer had been appointed as a consequence. Officers reported that the liaison officer had been appointed within two weeks of work starting on the first block but some Members remained of the opinion that no-one was working in that capacity at the start of the contract.
45. We identified particular issues that we felt had yet to be resolved. There were still complaints about inadequate consultation on the car park, specifically that

a decision had been taken to install bollards, which had resulted in a reduction in space available for parking. Officers agreed to look into this issue and report back.

46. We asked officers to report on how much notice residents were meant to receive of works on their own individual properties, and to confirm how much notice they actually received. Officers gave an initial response that the exhibitions held in April 2002 provided the opportunity for residents to look with contractors at the scope of works in a typical flat. After this, residents were normally given 7 days' notice of work and invited to advise the contractors of any special needs that would need to be taken into account when doing the work.
47. We asked officers in addition to report on what the expected contract time was and what the eventual time was spent on site. Specifically, in view of evidence given by the representatives from Brayards, we asked officers to look again to identify any complaints about time taken to complete work in respect of kitchens. We were concerned that tenants did not necessarily know the appropriate procedure by which to escalate complaints and that consequently any formal record might be lost.
48. In response to our questions, officers confirmed that contracts were evaluated on completion and also any issues that arose during the contract, which would have a future impact or could turn into risks, were logged and monitored. We asked that officers report back on tenant satisfaction surveys returned following stage one of the contract.
49. **We recommend that the housing department be encouraged to ensure that the leasehold management unit is invited to participate in all stages of consultation.**
50. **While noting that limited evidence was received, that the experience of residents on Brayards might be untypical and that evidence was received from officers that many schemes are completed on time and in budget, we were concerned about the apparent lack of customer care and the wide divergence between the evidence of officers and witnesses.**
51. **We recommend that the following areas be reviewed:**
 - **Quality assurance systems in place**
 - **Collaboration with Tenants' and Residents' Associations in monitoring works**
 - **Appointments for works**

Summary of recommendations

Leaseholders and service charging:

1. We recommend that the Executive review service charges to ensure that costs are being levied appropriately in terms of the distinction between general fund and housing revenue account.
2. We recommend that further leasehold training for area housing staff be prioritised so that 100% of staff receives adequate training by the end of the 2007/2007 financial year.
3. We recommend that development of five-year major works programmes be completed as a matter of urgency and by no later than September 2006.

Estates awaiting works:

4. We are awaiting Regeneration & Resources Scrutiny Sub-Committee's findings on decant but, in the interim, express concern that the process used on Wooddene led to the isolation of some residents and genuine community safety issues; the Council needs to provide protection in these circumstances
5. We recommend collaboration with Tenants' & Residents' Associations and Project Teams in drawing up proposals and keeping people informed.
6. We recommend that arrangements are put in place when decants begin in order to ensure that representatives on Project Teams are replaced once they have been decanted.

The customer's experience of major works:

7. We recommend that the housing department be encouraged to ensure that the leasehold management unit is invited to participate in all stages of consultation.
8. While noting that limited evidence was received, that the experience of residents on Brayards might be untypical and that evidence was received from officers that many schemes are completed on time and in budget, we were concerned about the apparent lack of customer care and the wide divergence between the evidence of officers and witnesses.
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Meetings of the review

July 4 2005

1. Assisted by advice from the divisional leasehold manager, we considered issues for inclusion in the scope of the scrutiny review. Initially, the following questions were identified:
 - How are major works procured in order to ensure value for money?
 - Does the Council overspecify in drawing up contracts?
 - How risk averse is the Council in making initial specifications?
 - Does the Council adhere to the requirements of Section 20 consultation process?
 - What examples are there of complaints in respect of major works being taken to Leaseholder Tribunals?
 - Are there problems in the compilation and inspection of leaseholders' accounts?
 - Does project management of major works minimise and respond appropriately to disruption of individual homes?

September 12 2005

2. We heard from representatives of Brayards and Four Squares Estates Tenants & Residents Associations.

October 11 2005

3. We received written evidence from Harriet Harman, MP, which focused on issues for leaseholders.
4. We also received evidence from Michael Bukola and Daniel Smith, representing the Wooddene Residents Group, and Councillor Jonathan Hunt, in respect of decanting on Wooddene. The witnesses raised concerns about the knowledge of front line officers, the effectiveness of the project team and the Tenants' & Residents' Association and security on estates during decant.

November 14 2005

5. We considered further comments from Harriet Harman, MP. We also received clarification from officers on points raised at earlier meetings in respect of leaseholders' issues, the Area Investment Programme and Brayards and Four Squares Estates.

January 23 2006

6. We heard representations from Leaseholders' Council.

February 27 2006

7. We heard from the strategic director of housing in response to concerns raised by Leaseholders' Council.

March 20 2007

8. We considered our final report.

Meeting agendas, reports and minutes

9. The agendas, reports and minutes of all meetings of the committee are available from the scrutiny project manager, scrutiny team, Town Hall, Peckham Road, London SE5 8UB [Telephone 020 7525 4350].