



Overview & Scrutiny Committee

MINUTES of the OPEN section of the Overview & Scrutiny Committee held on Monday 4 November 2024 at 7.00 pm at 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Ian Wingfield (Chair)
Councillor Irina Von Wiese (Vice-Chair)
Councillor Suzanne Abachor
Councillor Victor Chamberlain
Councillor Sabina Emmanuel (Reserve)
Councillor Sam Foster
Councillor Laura Johnson
Councillor Richard Leeming
Councillor Margy Newens
Councillor Martin Seaton
Jonathan Clay (Co-opted member)

OTHER MEMBERS PRESENT: Councillor Sarah King, Cabinet Member for Council Homes
Councillor Stephanie Cryan, Cabinet Member for Equalities, Democracy and Finance
Councillor Esme Dobson (Ward councillor capacity)

OFFICER SUPPORT: Norman Coombe, Specialist Governance Lawyer
Everton Roberts, Head of Scrutiny

1. APOLOGIES

Apologies for absence were received from Councillor Cassandra Brown and Martin Brecknell, co-opted member.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

There were no additional late items.

Circulated on supplemental agenda No. 1 in relation to the Consort Estate Major Works item were corrections / amendments to the officer report, and Appendix 1, Task Order Price.

Circulated on supplemental agenda No. 2 was item 7 – Financial Position: Budget Delivery and Future Strategy.

Also circulated was correspondence from Consort Estate Tenants and Residents Association, and incorporated officer response.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Councillor Laura Johnson declared a pecuniary interest in item 5 – Scrutiny Call-in: Gateway 1 Housing – Procurement Support and Supply Chain Management System, as she was employed by the Unite Union.

Councillor Johnson left the meeting room during the consideration of the item.

4. MINUTES

RESOLVED:

That the minutes of the meeting held on 15 July 2024 be approved as a correct record.

5. SCRUTINY CALL-IN: GATEWAY 1 HOUSING - PROCUREMENT SUPPORT AND SUPPLY CHAIN MANAGEMENT SYSTEM

Councillor Irina von Wiese and Councillor Sam Foster set out the grounds for call-in of the decision.

Councillor von Wiese explained that the reasons behind the call-in was that there had been a lack of consultation with residents, and very limited consultation with the unions who would be affected. That there was a high risk that the fees that the company (Plentific Ltd) would be charging for their services may be increasing, and that the company was currently making considerable losses, and that represented further risk to residents if the company folded. Councillor von Wiese stressed that some of these risks were also identified in advice from officers contained in the report recommending the procurement. In light of unproved efficiencies, obligations of the council in public procurement decisions to consider best value for money on behalf of residents, huge inefficiencies and inflated costs in repair works, the requesters of the call-in believed that the decision should be reconsidered by the cabinet.

Councillor Foster lead spokesperson for the second request for call-in of the decision, highlighted that their concerns of the requesters for the call-in were around value for money, strategic planning, and the relationship between the council and Plentific Ltd in the long term. He felt that in addressing urgently a very real issue that the council has in relation to its contracts, that it will ultimately be an expensive solution that did not serve the council as best as it could. In addition, Councillor Foster referenced the risks around the governance of introducing this new framework, it not being clear whether the back-office function required to deliver the service was going to be sufficient, or whether it would generate extra

costs that had not been accounted for. He recognised that it was meant to be a short to medium term solution, as it was for an unspecified amount of time this raised questions around the long-term strategy which was not as clear as it should be.

The committee then heard from Neil Tasker, Southwark Unite Union Branch Secretary.

Neil endorsed the comments of Councillor von Wiese and Councillor Foster in respect of the reasons for call-in of the decision. He felt that the decision was a risky undertaking [gamble], and that residents had not been consulted, which he felt was important. He considered that the proposal was a very significant change to the way the council does business, which exposed residents to potentially hundreds of contractors, and many of the residents were vulnerable members of the community.

Neil referenced the officer report which stated that residents would get better value for money and higher levels of satisfaction, but he felt the report did not give reassurance or demonstrate how this would be achieved. In the main he felt the proposals were largely speculative, particularly in respect of costs, as the charges to sub-contractors would be variable, and subject to change. Neil felt the true costs were unknown to the council, and to residents. Neil also made reference to the strategic director of resources, and the director of exchequers comments set out in the officer report.

Neil queried works that were outside of the contract (bolt-ons that could be purchased – the report did not make clear what works this referred to), and referenced voids, communal work and to what degree these would be included. Neil also mentioned back-office costs for managing the contract and resulting back-office savings – he felt this was contrary to what was mentioned on the Plentific Website which indicated that the company had created a large team to support the Plentific platform.

Neil drew members attention to the London and Quadrants tenants' satisfaction measures in relation to their repairs service, which indicated that satisfaction of the overall repairs services was 61%, and satisfaction with time taken to complete repair, 56%. Neil also drew members attention to the Head of Procurements comments in the report which stated that there were no social value commitments, and queried how Plentific Ltd would collect data on employment status of any sub-contracted operatives for purposes of confirmation of payment of London Living Wage.

Neil also raised concern around the following:

- No mention of the risk of demand outweighing supply – when this happens contractors often put up their prices and may be more selective about the type of work they do.
- Putting out contracts that the council currently use on to the platform –

contractors could prioritise work in neighbouring authorities and pick and choose the work they do.

- True cost for managing the system not represented in the report.
- No viability testing, (no pilot project).
- Question mark around the number of small to medium enterprises (SME's) in the locality
- climate emergency implications of report – referencing provision for utilising public transport (Neil felt this was not taking climate change seriously).

Neil felt that much more work could be done on upscaling the council's direct labour organisation (DLO) to meet the demand and deliver much more work in house.

The chair opened the meeting up to questions. Questions and discussion were held around the following areas:

- Discussions between the union and cabinet member for council homes
- The impact on the DLO, and next generation of workers
- Trade union membership of workers hired through the Plentific platform
- Parameters of works undertaken through Plentific procurement, and impact on DLO (paragraphs 19 and 21 of the cabinet report)

The committee then heard from Councillor Sarah King, Cabinet Member for Council Homes, Hakeem Osinaike, Strategic Director of Housing, Marc Cook, Continuous Improvement Manager, Cem Savas, CEO of Plentific Ltd, and Henrik von Bahr, Plentific Ltd Vice President of Sales.

Councillor King stressed that the Housing Department needed to improve for the benefit of tenants and that an urgent set of decisions needed to be made to deliver a far more effective service.

In terms of information contained in the cabinet report, Councillor King acknowledged that the report could have been stronger, in particular around the position the council was currently operating in relation to contracts for works undertaken in relation to repairs. Councillor King explained that contracts [for repair work] had or were all coming to an end which meant that the council could not have confidence in how much money it was spending, value for money or its procuring values.

Councillor King further explained that the proposed new system of procurement did not relate to the work of the in-house team and did not change the work they were undertaking. Councillor King referred to the meeting she had with the Unite branch secretary and reported that she found the meeting valuable in terms of understanding the challenges the DLO were facing from their perspective. She stated that she did feel that the council should be investing in skills, and did find it unexplainable why there were no apprentices within the DLO – however the investment in the DLO would take time to invest in and develop, and the urgency of the procurement situation within the housing repair service required urgent

resolution.

Councillor King accepted that the Plentific proposal was not the perfect solution, but felt it was a balanced way forward. She clarified that this was not intended to be a long-term solution, the long-term solution of which would be putting together the council's own framework with contractors so that council achieved value for money and ensured that all the council's fairer future commitment were fulfilled. This would happen in the long term and would happen simultaneously. It would also fit alongside looking at how the council could invest in the DLO and how the council can have a workforce strategy.

Hakeem Osinaike, Strategic Director of Housing stressed that the procuring of the Plentific platform was not an attempt to outsource the repairs service. He stated that the council was completely focused on making sure that the DLO continues to exist, and very productive and effective in delivering for residents. The use of Plentific did not stop the council from expanding its own workforce, but it was not economical to have 100% of the repair service delivered by the council's own workforce, and there was no DLO in the country that delivered 100% of repairs. The normal position was for contractors to deliver between 35% to 65% of those works.

Hakeem set out the current position – he explained that the repairs service being delivered, was currently delivered by invisible contractors, due to subcontracting out of contracts by the contractor the council was engaged with. With Plentific the council would be contracting directly with the contractors who were going to be delivering the works. This meant that when residents gave feedback on how the contractor performed, it would be feedback on the contractor that did the work. This meant that if negative feedback were received, the council could immediately stop using that contractor, this would give the council visibility which it currently did not have. Hakeem further explained that because contractors can bid for work, it also created a market where value for money can be obtained. There would be a set of criteria that the contractors would have to meet before they could obtain contracts – this would ensure that the contractor could deliver to the standards the council set. It would also enable the council to undertake proper contract management, the council would know who it was paying and would be putting money directly into the hands of the people doing the jobs, which was not what was happening currently. Hakeem reported that Plentific Ltd had confirmed that they had hundreds of local contractors on their platform, which meant that when the council employed contractors, they were like to be people who were resident and operating in the borough.

The procurement created an opportunity for the council to be a lot more efficient. There would be peak periods where the council's DLO would be busy, and rather than delaying repairs, there would be the opportunity to go to the marketplace [Plentific] to get those works done.

Hakeem informed the committee of a new law coming into force which gave strict timescales on how the council dealt with disrepair. At the moment the disrepair

workload was significant, and the reality was that no matter how good the council's DLO was, it could not deal with the workload for disrepair. By having Plentific in place it would mean that the council has confidence that it will always be able to deliver to the statutory timescales, which would not be possible without the Plentific procurement.

The contract would enable direct monitoring of satisfaction of tenants, which was not currently possible. Hakeem considered that tenant feedback was the best way of knowing whether or not the council was delivering a good service, and having the ability to feedback on the performance of contractors, and the council having the ability to easily access this information, to inform decisions of whether a contractor should continue to be used was an opportunity that could not be missed. The Plentific Platform enabled analysis of how contractors were performing, cost, what other works they identify during a repair visit to a tenant's home, how many times and types of variations were asked for – all this information could inform the strategic director to make the right decisions politically going forward. This was a procurement to improve what the council had, and to make the council a good landlord.

The committee then heard from Cem Savas, CEO of Plentific Ltd. Mr Savas sought to address some of the earlier comments made around the risk of the procurement. He informed the committee that the company had been in the housing sector for quite a few years. The company covered 1.6m properties on the Plentific platform, and went to approximately 3m residents in the country, and was exclusively focussed on social housing in the UK. The company had many large clients that were accounting for Plentific for their processes as an innovation and digital partner. Plentific supported these clients in improving their services along any delivery models they have currently. So in terms of risks and gambles, Mr Savas felt that the sector was really at a point where change needs to happen by improving services, looking at data, regulatory pressures, and supply chain challenges in the sector which were real, and how Plentific Ltd can support its clients with better technology solutions. Plentific was a technology business, its clients decide where jobs should go and how the job should be delivered. One of their most recent clients was a company called Anchor, the largest senior living provider in the country with approximately 53,000 properties. Plentific was the platform that integrated all their contract relationships, making sure that the entire experience from residents to supply chain was streamlined and efficient. The significant operational improvements would help Anchor to offer a much better resident experience, and also enable their contractors to really fulfil the capacity they can fulfil, because the platform would support them with additional resources if needed.

Plentific had many clients with in-house teams such as London & Quadrant, and Guinness housing - the question was never about replacing the in-house team, it was about what the promise was to residents and how should that be delivered, and what resources were available and in place to deliver at the right time and at the right quality. Across the 5,000 contractor relationships Plentific had, it ran a localised solution with meant that the way jobs got allocated was local, so a job

could not be sent to a different area. Plentific had social housing relevant compliance systems in place for all its clients. Access to those contractors meant, the council would get access to the same local contractors that organisations such as Notting Hill and Peabody were using. Contractors were getting reviewed every day by residents, by their housing officers, peers, on their performance on other homes. This enabled a real time review of housing repairs experience of contractors on the Plentific platform, and any additional requirements a local council might have can be implemented into the platform to fulfil a particular requirement.

Mr Savas also informed the committee that the company supported women in trade and had launched it with approximately one hundred organisations across the country. Plentific had also recently launched a building skills trade research report with G15 members [London's leading housing associations] which was around research on how to attract and get more apprenticeships into the sector. Plentific were part of trying to solve the issues to create better systems that can help residents, and their clients and contractors fulfil what was a difficult position at the moment – they were seeing lots of backlogs, increase in disrepair claims, and mould issues. Mr Savas stressed that continuing to do the same thing would not bring about the solution needed, and that clients relied on their support.

The company had been going for 10 years, had won many awards across the housing sector - best technology provider, best professional service provider across 'inside housing', 'housing digital' and also other awards. They were one of the fastest growing property technology companies in the country and were very focused on growth related software development into the sector. They had recently held an innovation day with forty different organisations in housing, which included a council of councils and housing associations, and contractors to discuss strategic asset management and AI automations. They were very focussed on creating solutions for the sector.

Mr Savas advised that the company had invested a significant amount of money in the beginning to build product solutions for their clients and explained that this was the way that technology companies were built. The company helped clients with change management, professional services, and integrations with existing systems and the continued investment had been very much funded by investors, and business planning. With a significant amount of housing associations now on board, it was up to Plentific, how they used the funds and grow the business going forwards.

Mr Savas advised that Plentific could help in the short term and take some of the pressure points off what was a struggle across the UK housing sector, and support as much or as little as needed.

In response to a question around a pilot project, Mr Savas expressed that this procurement was almost like a pilot for Plentific, as it would be Plentific supporting the council with something which for them was relatively small, and seeing if that works for the council. In context the Anchor deal, referenced earlier was not a pilot

as Anchor had signed a 10 year contract with Plentific which was a contract to go in with all the solutions Plentific had to integrate all the contractors into the platform – Anchor were using all their solutions, compliance, flat maintenance, inspections, capital programmes, which this council was not contemplating to do at the beginning.

The chair then opened the meeting for questions. Questions and discussion were held around the following:

- How the council manages its commitments to pay and conditions for the people being employed via the Plentific platform, the environment, and employing local people.
- Impact on the council's repairs service if Plentific Ltd became bankrupt.
- Feedback from Southwark housing association tenants who have experienced repairs via the Plentific platform.
- How many of Plentific's contractors are based in Southwark / Southeast London.
- How Southwark can recover finances from a loss-making company should anything go wrong.
- Consultation with residents.
- Alternatives to proposed procurement route.
- Implications of work being procured/undertaken where contracts have expired.
- Procedures and guidelines in place (setting out how work is to be undertaken) for contractors who work through the Plentific platform.
- Option of awarding new contracts to existing suppliers.
- The feasibility of establishing new framework for contractors in the timeframe set out in the report (18 to 24 months stated).
- Protection of residents in relation to works/workers procured outside of a contract.
- Current amount spent on repairs, and amount to be spent through proposed procurement (percentage of expenditure on actual repairs).
- Specialisms of contractors on the Plentific platform
- Whether contractors on the Plentific platform reflect the diversity of the Southwark population.
- Alignment with council policies such as Southwark Stands Together.
- Timeframe for investing in the DLO.
- Intended long term solution.
- Relationship and access to contractors when Plentific contract comes to an end.

The committee then considered the options available to it in respect of call-ins.

Following discussion, it was moved, seconded and,

RESOLVED:

That the decision not be referred back to cabinet for reconsideration, but a subsequent review (detail to be determined) be undertaken.

**6. CONSORT ESTATE, SE15 MAJOR WORKS - CHARGES TO LEASEHOLDERS
[REFERENCE BY COUNCILLOR - OSC PROCEDURE RULE 12]**

The committee heard from representatives of the Consort Estate Tenants and Residents Association (Roma, Tayo, Sam, Nell, Katherine, and Jacob) in respect of Leaseholder service charges and section 20 notices.

Roma, lead spokesperson, gave a presentation to members of the committee on the Consort Estate Major Works costings and highlighted areas of concern set out below:

- Provisional sums should not be used as a fallback position for consultants when designs are incomplete, or information is difficult to obtain and should only be used as a last resort. Provisional sums were however making up 59% of the Consort Estate major works.
- Certain construction contracts such as New Engineering Contract (NEC) do not allow provisional sums to be included. The TRA were asking for the provisional sums to be removed from the scope which would then reduce the programme length and the cost of associated works.
- Roma gave a number of examples where the TRA considered that works were unnecessary and indicated that early feedback from the council suggested that it [the council] agreed with their analysis and would consider removing some of the proposed work.
- Roma stressed the use of provisional sums could have a financial and mental toll on residents.
- The contractor's own feasibility study identified works that were not needed, including works linked to other works such as scaffolding. Associated costs would be difficult to recover once the works were reviewed post contract. The TRA were requesting that provisional sums are reviewed for the scope which would reduce programme length and costs of any associated works.
- The current scope includes unnecessary works, with the scope being expanded and costs increased beyond what is reasonable. Roma gave a number of examples where the TRA believed this had happened. The TRA were requesting that the scope of work is reduced so that critical activities are completed only.
- The rates in the cost estimates were excessively high and not value for

money. Roma gave some examples of where this was felt to be the case. The TRA were requesting that there was greater scrutiny over the costs to ensure they represent good value for money to both leaseholders and the council.

- The TRA lacked confidence in the council's role in quality assurance and its ability to effectively oversee the building works. Roma gave several examples of why the TRA lacked confidence in the council, one of which was around the sign-off of potentially non-compliant works, and major works being used to cover the cost of remedial works at cost to the council and residents. The TRA were requesting that the council conducted greater scrutiny over activities to ensure they represent good value for money to both leaseholders and the council, and investigate who is responsible for the works, initiate remedial works with those who designed and installed the works as defective works should be covered for a five year period, and ensure the works have no cost impact on the major works.
- Roma outlined areas where the TRA felt potential savings could be made which based on one block could amount to 43% work of savings.

The committee then heard from Councillor Esme Dobson, local ward councillor. In addressing the committee Councillor Dobson put forward the following suggestions for the committee to consider as recommendations to the cabinet member for Council Homes.

- 1) Strengthen the Council's in house Quantity Surveyor function and skills to scrutinise estimates provided by contractors.
- 2) Change the way the admin fee is calculated on contracts in order to remove the possible incentivisation of large contracts.
- 3) Review and strengthen communications and cross-department working to improve the services provided by the Homeownership Team and to fulfil a 'whole council approach' to housing. This should include but not be limited to:
 - Including a covering letter to leaseholders with annual service charges with clear explanations if there is a large difference between estimates and actuals;
 - Engaging with Tenants and Residents Associations much earlier when major works are being planned;
 - Developing website functionality to enable leaseholders to automatically download service charge breakdowns from their MySouthwark account;
 - Developing a standard FAQ document about major works which is sent out with all Section 20 notices as well as clearer information about payment options and external advice services.

- 4) Introduce an automatic option of being able to pay over six months where the difference between estimates and actuals is above a certain percentage of the estimated service charge.
- 5) Remove car parking charges for contractors from leaseholders' major works bills.
- 6) Pilot working with solicitors and estate agents to provide far greater clarity on the realities of leaseholder responsibilities and future costs.
- 7) Strengthen the whistleblowing system within the Council.

In putting forward the suggestions Councillor Dobson highlighted the following:

- The estimate had not been checked properly. Leaseholders had been vocal, but the council was paying 90% of the bill, which would have to come from the HRA which was already in deficit.
- The admin fee on the contract should be noted and questioned.
- Consort Estate had several known problems (gas consumption/overheating, pest control, waste management, anti-social behaviour), and the major works would not be addressing any of those issues which were important to residents. Section 20 notices for major works issued to leaseholders, along with actuals from service charge estimates increasing service charges from £3,000 to £5,000 around the same period. These issues were covered by three different services in the housing department, not really seeing how the culmination of these issues were being received by the tenants/residents – Councillor Dobson considered this a lack of a 'whole council approach' and put forward examples of how communication could be improved. In addition, Councillor Dobson suggested the introduction of a policy whereby leaseholders were automatically given the opportunity to pay service charges over a six-month period where there was a significant increase from the estimate to the actual service charge.
- Removing the car parking charges for contractors – Councillor Dobson indicated that from a leaseholder point of view, the council was passing on parking charges to leaseholders for something that was for the council.
- Working with solicitors and estate agents – Councillor Dobson indicated that there were quite a few leaseholders who had purchased their properties recently, and she got the impression that solicitors were not making purchasers aware of the terms of the lease and major works. She wanted the council to work with solicitors to make sure that purchases at the point of buying a property knew what the likelihood of major works, and implications.
- Strengthening the whistle blowing system – Councillor Dobson, informed the committee that there were officers in the council concerned about waste that goes on within the council, and cited as situation where an officer had informed her that they had raised concern about a particular matter three times with a senior officer and nothing had been done about it. She felt that the whistle blowing service should be anonymous and that there were off the shelf IT packages that could be purchased, which she believed would

improve the process. She asked that an anonymous whistle blowing service be introduced for both the housing department and social care.

Following the ward councillors address, the chair opened the meeting up to questions. Questions and discussion were held around the following areas:

- Car parking charges being included in major works bills
- Financial impact major works charges are having on leaseholders
- Variation of major works charges per block and property size/type
- Any approaches by leaseholders to the council around the possibility of extending the four-year interest free loan term the council offers
- The T&RA leaseholder submission document and the council responses

The committee then heard from Councillor Sarah King, Cabinet Member for Council Homes, Hakeem Osinaike, Strategic Director of Housing, and Sayeed Kadir, Interim Assistant Director of Planned Maintenance.

Councillor Sarah King thanked the leaseholders in attendance for the work they had done around this issue, and that she was conscious that they were in effect saving the whole council money. She also thanked Councillor Esme Dobson and her ward colleagues for keeping her abreast of the issues leaseholders have been discovering in connection with the provisional works. Councillor King apologised for the situation.

Hakeem Osinaike, strategic director of housing, also thanked leaseholders. He stressed that it was officers' jobs to ensure that whatever works the council did, that it presents value for money to residents. He reported that he had been assured by his team that the excessive cost would have been picked up at a later point, but his view was that this should have been picked up earlier. He apologised profusely to tenants and leaseholders, and assured the meeting that this was something that had happened in the past, and that many steps had been taken, and would continue to be taken to make sure that issues like this did not continue to happen.

Sayeed Kadir, interim assistant director of planned maintenance, reported that he had reviewed the issue and had prepared a 'lessons learned'. Sayeed informed the meeting that the contract, which was supposed to start on 25 November, would not be starting. That in respect of all the provisional items, that he had asked for the site teams to go out and survey everything so that there could be certainty over the provisional items, and actual quantities put in. This would reduce the provisional terms.

Sayed informed the meeting that the contractor could only use the provisional sum to pre-instruct officers and would not be able to spend the money or get their profit and overheads from it. They could only spend the money when the council signed procurement instructions.

He was suggesting that the TRA appoint 3 to 4 representatives that could work

closely with the council. They could meet with the council regularly, and the council could show them the items the council had gone through, where reductions had been made, and where the council could not make reductions.

Sayed explained that there were some items that the council could not explore further until the scaffolding had been erected, so what he was proposing was to start a pilot project in January. He/his team would meet with the TRA once the scaffolding was in place, and all the provisional items had been reviewed. He would get the provisional items clarified and quantified and this would be set as a precedence for the rest of the estate. They would then meet with the TRA once a month and share with them any instructions the council had given.

He reported that the Section 20 notice would be revised.

The chair opened the meeting up for further questions. Questions and discussion were held around the following:

- Scope creep, and why figures had not been challenged
- Availability of inhouse skill set to scrutinise and challenge, to ensure value for money
- Timing of commencement of works following erecting of scaffolding, and scaffold charges
- What went wrong from a council perspective
- Proportional admin fees and potential incentivisation for increased charges
- Embedding change of practices that can be retained by future employees
- When residents will have clarity about how much the refurbishment of the blocks are going to cost them
- Difference between repairs contracts and major works contracts
- Legitimacy of contractors charging for parking costs
- Interest free period council offers to leaseholders for repayment plans – whether the options and how plans are structured should be reviewed (given inflation and cost of major works in general)
- The housing revenue account (HRA) - how it relates to repairs and major works expenditure, and requirements around HRA funding structure
- Capping annual payment of major works charges in any one year to address issues of affordability
- Gas and electricity service charges, and any steps to be taken to move towards individual billing, and opportunity to introduce metering as part of the Consort major works package
- Deadline for landlords to move tenants into individually controlled heat in their own homes as part of the legislative requirements.

The chair invited the TRA/Leaseholders to provide comment on the meetings deliberations.

The following issues of concern were flagged by the TRA/leaseholders:

- It was felt that the answers were not appreciating the concerns residents were raising.
 - There was no guarantee/confidence that issues that had not been picked up initially would have been picked up at a later stage.
 - There was a push for the contract to be signed with the contractor – once this happened, then it will be hard to remove works at a later stage
 - Question marks over the price of the scaffolding in that the price was not fixed as scaffolding was charged as a weekly rental
 - Questions around whether good value for money would be achieved
 - Refunding of payments to leaseholders following completion of works and calculation of final bill – who would be liable for paying the initial loan interest charges incurred.
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- Accuracy and apportioning cost to leaseholders – given the different leases on the estate, the complexities of costs entered by contractors, how will officers ensure that leaseholders are only billed for what they legally have to pay
 - Cumulative percentage charges for professional fees, and subsequent percentage charge for admin fees, and whether this is a fair way to charge people, even if this is legal
 - Question over merits of having scaffold erected before discussions had started, when there were alternative ways to do the necessary surveys
 - Factoring in what people can feasibly pay
 - Actuals coming in more than estimates due to things such as building insurance and hot water increases being revised upwards. This was questioned as the coverage would have come in and been paid at the start of the financial year. It was felt that issue could be avoided
 - Publication of government regulations on heating not expected until at least 2026, with more feasibility work to follow, taking the issue to the late 2020's, in the meantime leaseholders paying a significant amount of money for heating and hot water – questions over why they could not have their costs being limited in the same way that other domestic users are. Requesting for consideration to be given about what can be done now, in advance of the long term approach
 - Consideration of the introduction of Florrie's law [cap on the amount councils can charge leaseholders for repairs to their homes]

Further discussion took place amongst the committee members.

The committee agreed not to take forward the suggestions in relation to removing car parking charges and capping leaseholder charges for repairs to council homes.

Following discussion, it was moved, seconded and,

RESOLVED:

1. That the cabinet member for Council Homes be recommended to:

- 1) Strengthen the Council's in house Quantity Surveyor function and skills to scrutinise estimates provided by contractors.
 - 2) Change the way the admin fee is calculated on contracts in order to remove the possible incentivisation of large contracts.
 - 3) Review and strengthen communications and cross-department working to improve the services provided by the Homeownership Team and to fulfil a 'whole council approach' to housing. This should include but not be limited to:
 - Including a covering letter to leaseholders with annual service charges with clear explanations if there is a large difference between estimates and actuals;
 - Engaging with Tenants and Residents Associations much earlier when major works are being planned;
 - Developing website functionality to enable leaseholders to automatically download service charge breakdowns from their MySouthwark account;
 - Developing a standard FAQ document about major works which is sent out with all Section 20 notices as well as clearer information about payment options and external advice services.
 - 4) Introduce an automatic option of being able to pay over six months where the difference between estimates and actuals is above a certain percentage of the estimated service charge.
 - 5) Pilot working with solicitors and estate agents to provide far greater clarity on the realities of leaseholder responsibilities and future costs.
 - 6) Strengthen the whistleblowing system within the Council.
 - 7) Introduce fully itemised billing in final service charge invoices to leaseholders.
2. That an item be added to the work programme on the transparency of Leaseholder costs.
 3. That an update report be received by the overview and scrutiny committee in January 2025.

7. FINANCIAL POSITION: BUDGET DELIVERY AND FUTURE STRATEGY

The committee heard from Councillor Stephanie Cryan, Cabinet Member for Equalities, Democracy and Finance, Clive Palfreyman, Strategic Director of Resources, and Tim Jones, Director of Corporate Finance on the latest financial

position in respect of budget delivery and the future strategy.

Councillor Stephanie Cryan advised that the budget scrutiny would be different this year in light of the council agreeing a three-year budget in the previous year. Councillor Cryan advised that there would be no new lines in the budget for this year in terms of scrutinisation of line-by-line items, as there was not going to be any new lines in the budget for this year.

Councillor Cryan reported that at the current moment, for 2025/26 there was a projected budget gap of circa £5m. It was not yet known what the local government provisional settlement would be until December 2024. Based on the autumn statement core spending power would go up by 3.2%, but the councils share of this was not yet known. The committee would be updated once figures were available.

There would be significant funding for homelessness prevention, special education needs and disabilities, and alternative provision, affordable homes programme. Right to Buy reforms were being looked at, with a significant reduction in the right to buy discount – reduce to £16,000 in Southwark. Whilst this was not an abolition of right to buy it was expected that this would stem the numbers of right to buy applications. In relation to employees and National Insurance contributions, the council would need to work through what the annual threshold change would mean within the budget.

Councillor Cryan was confident that the budget gap would be reduced.

Clive Palfreyman, Strategic Director of Resources, informed the committee that the presentation slides circulated to members was an evolved version of the information discussed informally with the committee, and with the main change being the Chancellors statement of the previous week. Clive expressed that the new money set aside for local government was welcomed. He explained that the 1.3% increase in national insurance contributions, and the reduction in threshold would impact on the council quite a bit and departments were yet to define how they will allocate out a small amount of money to cover the public service costs of that.

The policy statement which would set out how monies will be allocated was expected at the end of November, and the local government settlement for Southwark was expected to be received in the week before Christmas. Finalisation of budget plans would take place after Christmas, and a report outlining in a bit more detail where things had got to in relation to financial planning would be submitted to the December cabinet. This year's budget would be less about savings and more about mitigation activities against areas that are struggling to deliver against their revenue budgets this year, and around the corporate transformation programme which would be the main route for obtaining savings from the organisation into the future.

The chair opened the meeting to questions and discussions which were around the following:

- Housing Revenue Account savings
- Right to buy reforms - impact on receipts, and monitoring of applications received before and after the 21 November deadline
- National insurance contributions rise – whether council has done initial assessments and work being undertaken with private sector partners about impact on them (particularly in the care sector) and work around reviewing staff who the council employs through agencies [individuals employed through umbrella companies having to cover the additional national insurance costs].

8. WORK PROGRAMME

The committee discussed some of the work programme items.

It was suggested that a provisional meeting be arranged for March 2025, in order to allow additional time to accommodate the number of items contained on the work programme.

RESOLVED:

That the work programme as at 4 November 2024 be noted.

The meeting ended at 11.22pm

CHAIR:

DATED: