

Item No. 5

## **ISSUES WITH LEASEHOLDER CHARGES AND THE IMPACT OF THE COST-OF-LIVING CRISIS ON LEASEHOLDERS**

**Housing and Community Safety Scrutiny Commission Monday 3 October 2022**

Ina Negoita

Chair NW Area Forum

Chair Leaseholders Forum

### **Background**

Firstly, I want to thank Councillor Cumbo for bringing to the attention of the Scrutiny committee

- Issues with Leaseholder charges and the impact of the cost-of-living crisis on leaseholders especially but not limited to rising energy bills and repair issues
- leaseholder experiences of legacy and current repair issues

For the past 7 years I was Chair of Homeowners Council, current chair of Chair of Northwest Area Forum and chair of Homeowners Forum.

During this time as the most of leaseholders I discussed with, faced a wide LBS officers' viewpoint that Leaseholders expect to be "funded" by tenants.

LBS's public rhetoric: Cllr Darren Merrill, Southwark Labour's cabinet member for council homes and homelessness, states a presumption that leaseholders have expectations "give much more favourable terms to leaseholders at the expense of secure tenants who have not been able to afford to buy their home, whilst delaying the council's ability to undertake essential works (6th July 2022)" is highly concerning, toxic against leaseholders which materialise into a hostile service delivery.

It is heart-breaking to see that some Cllr Darren Merrill continue the Cllr Stephanie Cryan trend to create and entertain artificial antagonism between the tenants and leaseholders to deflect from the real issues **which are the lack of accountability, poor financial and operational controls of LBS contractors.**

On top of overheads LBS charges 10-15% fees, higher the contracts costs more fees LBS collects so there is no incentive at all to deliver value for money solutions nor to implement efficiencies.

I want to assure you that not a single leaseholder out of the several hundreds I discussed with, ever has any expectation to be subsidised. **The Leaseholders just expect LBS to be Governance Compliant the Housing Act 1985/ 2004 which has clear provisions of how the major works and Service charges should be applied and compliant with Financial Controls Regulatory requirements.**

The Tenants are equally affected by the same repair/ major works issues the only difference being the tenants face poor service repairs delivery but have less visibility over the costs break down.

All the examples below are not matter of "opinion" but they have determinations by LBS auditors, several Regulators and 2 Tribunals.

### **Unlawful Service charges – pay for historical poor unfinished contractor work**

A group of Leaseholders from NW Area have received in March 2022 ca £60,000 due to unlawful service charges refund ordered by a 4 years Tribunal case.

All the evidence papers were available since the beginning for the tribunal, the unlawful charges were due to fix poor workmanship done in 2012 by an LBS contractor, yet instead of looking to the evidence and solve the issue through internal procedures.

The cost of 4 years Tribunal with 8 LBS officers involved may had been as expensive as the refund itself and it is hard to understand why LBS chose to ignore evidence and waste resources.

During this time ICO Regulator as well ruled an infringement case against LBS for trying to re-write history rather than solving the leaseholder's complaint.

If LBS would have exercised appropriate financial and operational controls when the works were first executed in 2012 the leaseholders would not been unlawful charged in 2017.

I have to emphasize that **contrary to Cllr Stephanie Cryan and Cllr Darren Merrill unfounded, inflammatory and divisive statements the leaseholders do not expect any preferential treatment, they just expect LBS to be Governance compliant with the UK regulations and to perform the necessary controls on its contractors.**

### **A history of failed projects – continuous lack of accountability**

In 2008 an integrated communal area fire alarm was installed, but had to be decommissioned due to being unfit for purpose in 2010 only partially refunded in 2012 after 2 years of complaints and escalations even that it never worked.

Despite having the available cash (money was not the issue) LBS didn't execute communal area decorations in Devon Mansions since 1998, already 2 cycles (every 7 years) missed.

2010-2021 LBS could have done a proper survey, consultation and execute the communal area works missed (money were available)

2021 A rushed decision (despite 10 years of doing nothing) was taken to install a new fire alarm on over 20 years old cracks of a building in "fundamental disrepair" as per the tribunal statement.



When the 20 years outstanding Communal works decorations will be done who is going to pay to remove the fire alarm pipes which were installed on 2 decades old cracks, and then put it back?

### **Major works – overcharges for poor maintenance work, lost warranty and poor planning**

#### **Roof Works**

In 2018 a £15,000 per 2 bed flat S20 Notice of intention was served inclusive a full roof replacement for £5,583 which was done just in 2006, 14 years earlier despite the warranty life span was 25 years. LBS decided to replace the roof and sent the notice without a survey nor any form of investigation.

During a 1.5 years of complaints and investigation which required several FOI's (Freedom of Information requests) regulator compliance requests it was identified that due **very poor patches works 11 years of warranty was lost** and could not be repaired through warranty.

**It is not reasonable for LBS to expect to pay for LBS's contractors poor jobs handed over without checks and sign offs of the works.** LBS should claim back these costs from its contractors not from the residents.

The UK Housing Act is very clear that the leaseholders should not double pay for poor workmanship or be double charged. If every UK household would have their roof fully replaced every 14 years all of them would be bankrupt.

Scaffolding 2 years and 7 months – only 20% of time work

Scaffolding stated to be installed in February 2020 we are now end of Sept 2022 and the scaffolding will be to Dec. 2022 – **2 years and 7 months** to do just

1. power jet bricks cleaning (2 weeks)
2. Some pointing (1 months)
3. Concrete plinth repair (1 month)
4. Removal of tank rooms (1 month)
5. Roof replacement (1 month)

These works would have not taken more than 6 months if it would have been correctly staffed (during covid all the building companies operated efficiently at 60-70%) now there are on scaffold even less people than during covid.

Only 2-4 workers come on a whole building (4 blocks), work only for 2-3h pr day then disappear invariably before lunch and not return, sometimes only once a week other times no one would be for 3-4 months.

Unaccounted cost increases and cost increases for time not working

**Only 20% of the 2 years and 7 years workers 2-4 attended the building for few hours a day when they attended.**

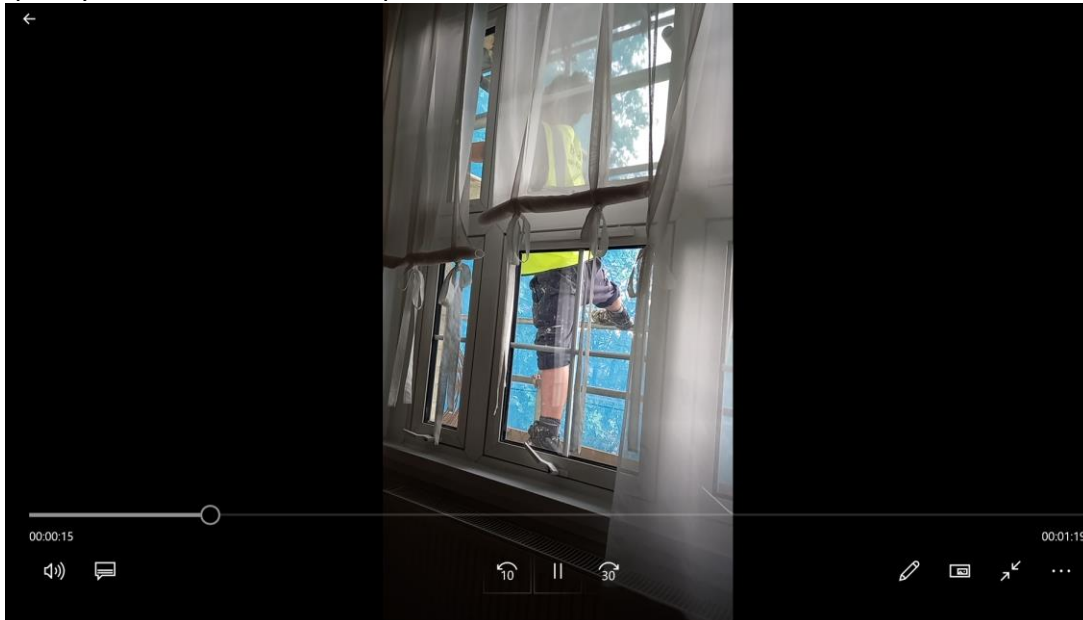
Roof Works Original Estimate 2019 Supplier 1	Ref	Unit	Quantity	Tender	Amount	ROOF WORKS change of specification 35% cost increase	NO EXPLANATION 2019
Prepare existing roof covering, remove solar reflective paint, clear	R82	m2	229	170	38,990	As per Premier Roofing quotation	1 item 181,056 90,528
Renewal: Extra Over costs to items R82/R83 above during strip off, STARR1	m2		245	55	13,475		
Replacement Tank room double doors like for like [reduced height	STARR16	nr	2	2,115	4,231		
Supply, install and test new lightning conductor system to existing	STARR2	m	130	24	3,072		
To roof top tank rooms, take down defective rainwater pipes and r	STARR11(E	m	26	102	2,678		
Quantum Gold felt overlay system or equal and approved to garag	R83	m2	16	126	1,983		
Replacement Tank room single doors like for like [reduced height	R11	nr	3	240	719		
NE 500mm x 500mm	STARR5	nr	10	50	500		
Carefully remove all doors and thresholds to all water tanks and h	STARR10	m	5	90	446		
NE 750mm x 750mm	STARR6	nr	5	75	375		
Collar to pipe where penetrating roof coverings.	R30	nr	6	59	351		
Renew cast iron hopper head (any size), inclusive all fixings and joi	R68	nr	1	140	140		
Provide new rainwater outlets covers where missing or defective t	STARR9	nr	4	10	38		
<b>Total Roof</b>				<b>66,996</b>		<b>Total Roof</b>	<b>90,528.0</b>
Per flat							
<b>Scaffolding Access 2019</b>						<b>Extra scaffolding 2021</b>	
Allow here for a fully independent close boarded scaffolding and a	Sc4	m2	1,295	16	20,158	1 Plywood hoarding price per me	1792 Week 2 3,078
Scaffolding for providing flameproof debris netting to all elevation	Sc6	m2	1,295	2	2,382	2 Steel Gates	2 No 330 660
Allow for a weekly scaffold safety inspection by a competent and a	Sc8	wks	14	150	2,100	3 Decorate timber hoarding (col	128 LM 11 1,466
Weekly rental	Sc21	wk	4	268	939	4 Erect and dismantle timber ho	128 LM 9 1,173
Additional costs to provide scaffolding and temporary access to ca	STARSc5	item	1	500	500	Lights	64 No 48 3,072
Ancillary Licensing costs / fees as more fully described within preli	STARSc4	item	0	1,645	411	Traffic Management	1 item 4,184 4,184
Electrical Connection	Sc16	item	0	1,219	305	Scaffold Re design	3 item 800 2,400
Carefully take down satellite dish; extend cable and resite on scaff	Sc11	nr	3	45	135	Hoist tower X 3	9 Weeks 1,438 12,940
Erect & Test	Sc18	item	0	463	116	Extra Hire per hoist tower.	5 Weeks 430 2,150
Transport	Sc15	item	0	439	110	Sc15 Transport	3 item 439 1,317
Dismantle	Sc19	item	0	366	91	Sc16 Electrical Connection	3 item 1,219 3,657
Power around Scaffolding inc check meters	Sc17	item	0	122	30	Sc17 Power around Scaffolding inc c	3 item 122 366
Fit interlocks	Sc20	nr	0	61	15	Sc18 Erect & Test	3 item 463 1,390
Provide security alarms for the scaffolding to comply with of Anne	Sc7	item	1	15	15	Sc19 Dismantle	3 item 366 1,097
						Sc20 Fit interlocks	6 nr 61 366
						Sc21 Weekly rental	42 wk 268 11,265
						Run off's	3 No 1,500 4,500
						4 Skips - Roll On-Roll Off	12 Each 435 5,222
						Rubbish Shoots	3 item 1,331 3,993
						Scaffold Extra Hire if runs over	22 Week 2,650 58,300
						Extra for scaffold Licences	22 Week 614 13,504
						Ballast Hording (provisional sur	1 item 5,000 5,000
						Hoist Operator	14 Week 441 6,173
						Health & Safety Officer (visiting	3 Week 180 539
<b>Total Scaffolding first original per Block</b>				<b>27,308</b>		<b>Per building vs per blok (4)</b>	<b>36,953</b>
Per flat				2,276			3,079

There are only 12 flats in these blocks

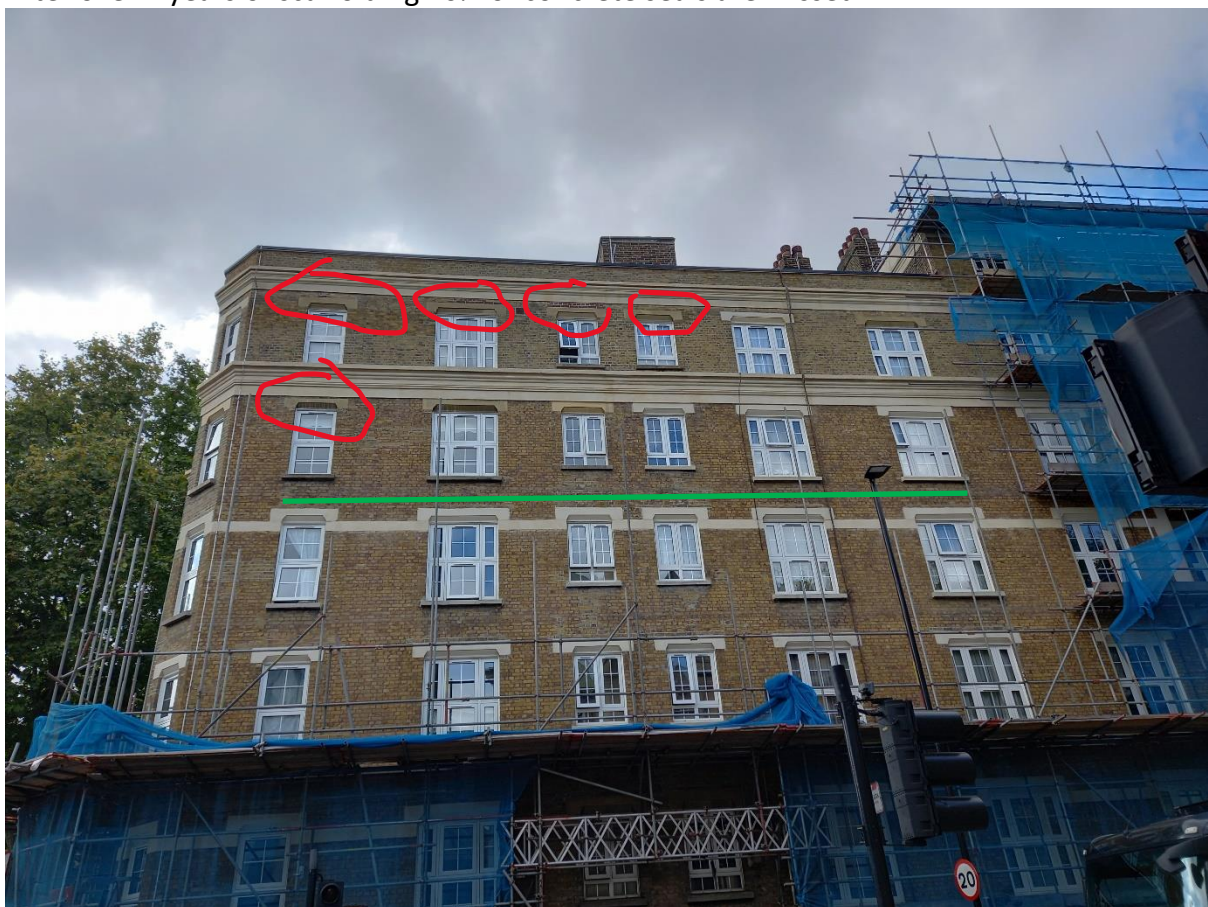
Because there is absolutely no incentive to get value for money the LBS fees increased as well as it will be an extra 10-15% increase in fees as well for over 2 years scaffolding "80% did nothing time".

Quality of works – unequipped, poor workmanship, socialising in groups only 1 working, safety risks cigarettes on scaffolds

Men hanging on scaffold without even the most basic equipment, no safety harness either. What quality of work would one expect



After over 2 years of scaffolding 40% of concrete seals are missed



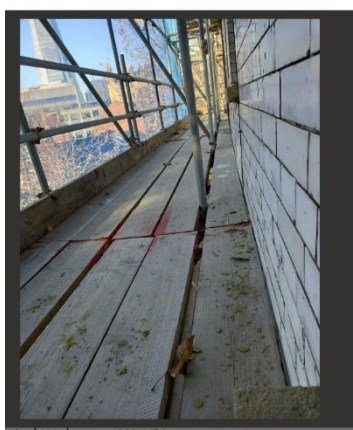


This is how it looks the finished work, more like after war than over 2 years Major works





the LBS contractors spent more time in groups socialising that doing works (**even smoking on the scaffolds**)



3 Cleaners have been sent to clean with a single broom, a single dustpan and they cleaned only less than half of the area.

LBS had paid 500 times for a poor executed task





### **Conclusion:**

The leaseholders have to pay for Service charges and Major works as prescribed by Housing Act and the rest of the UK legislation. Not a single leaseholder argue against it **contrary** to Cllr Darren Merrill the public statements that the leaseholders are looking for a preferential status and to be subsidised.

The evidence above, Regulators Rulings and outcome from Tribunals show that due to poor financial and operational controls over its Contractors the residents have to pay over inflated bills for poor quality work. This is exacerbated by the fact that LBS works with the same contractors for decades and there is little to no accountability.

The issue the leaseholders raise and it is not only for them but for the tenants as well, LBS pays astronomical overinflated amounts on contractors without the required paperwork, hardly any operational controls to see the quality of the work which have to be done again and charged again.

### **Recommendations:**

1. LBS has a hostile attitude to leaseholders, no leaseholder is looking to have a preferential status just LBS to be Governance Compliant with the UK regulatory requirements. LBS image as a fair freeholder would benefit if it would stop to villainize the leaseholders.
2. LBS is using Lawyers and significant resources to fight the leaseholders rather than **addressing the real, core issue the poor financial and operational controls on its contractors**. The leaseholders are not the enemies, they are valuable resources to support LBS in bringing value for money for all parties, leaseholders, tenants and LBS itself.
3. LBS could save significant resources if the issues will be addressed as they come rather than ping-ponging leaseholders from one department to another for months until reaches the regulators.

Thank You for your attention  
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