

4 SQUARES HOUSING

INTRODUCTION

- 1.1 Residents from 4 squares made a deputation to Cabinet on 19th October 2010 to request the urgent completion of security works across the estate. Their request was as follows:-

The residents of the Four Squares Estate would like to bring a deputation to the Cabinet because we desperately need our long-promised security works to be completed. We understand that £8 million funding was allocated to the estate, but that the work for the first two blocks ran over budget, leaving only £1.5 million for the remaining two blocks (Marden and Layard Squares).

We believe that we have an extremely strong case for the security works to be completed across the full estate. This is supported by the police and the housing office, and this strong need for works across the whole estate led to the money being allocated in the first place. We notice that the new council have made a manifesto commitment to make every home in the borough warm, dry, and safe. Homes in Layard and Marden Squares are not currently safe, and we would like to explain the problems that we are experiencing on the estate to the Cabinet, so that the remaining work can be carried out.

We have three main questions:

- 1. How was the budget so badly overspent, and what has been done to tackle the council officers and contractors who were responsible for this?*
 - 2. Will the council finish the security works on the full estate as promised?*
 - 3. Will the council commit to spending the remaining £1.5 million from the initial budget on the Four Squares estate?*
- 1.2 At the request of the Cabinet, the sub-committee agreed to look further into this topic and has posed a number of questions outlined below, alongside their written answers.
- 1.3 There will be an opportunity to further questions and discussions at the meeting on 11 January 2011.

ORIGINAL 4 SQUARES QUESTIONS POSED BY THE SCRUTINY SUB-COMMITTEE AND WRITTEN ANSWERS (DEFERRED FROM 29TH NOVEMBER 2010)

2.1 Why was most of the budget for these security works on Four Squares spent on just two of the blocks?

To date the Council has spent more than £6.7m on the security works at New Place and Lockwood Squares. This includes a grant of £2.3m from the London Housing Board to the Council made in 2004/2005. The anticipated total spend for the whole estate was £8m. Each package of security works was designed to a high standard following extensive consultation with residents. In the end, the costs for each square were more than anticipated.

2.2 Has additional funding ever been allocated by the council over and above the initial budget for these works?

As mentioned, In 2004/5 the Council obtained a grant from the London Housing Board (LHB) of £2.3m. The terms of the award required the Council to match fund the grant from its own resources. In the event, in November 2005 the Council more than match funded the scheme by earmarking council resources of £5,7m from the Housing Investment Programme giving an overall anticipated maximum expenditure level of £8,025,514

2.3 Have officers stated internally to Cabinet Members that further money will be spent without there being an agreed budget to match their statements?

The approved budget for the works has only ever been £8m, officers have maintained this position. When the capital allocation was reduced in 2009, Officers made clear that this scheme could not be funded in the current two year programme and that any decision would need to be deferred, and considered only in the context of the overall investment needs of the borough.

2.4 Did representatives of Southwark Council (Either Officers or Councillors) make commitments to residents without allocating a budget and without a budget being available for the work?

As mentioned above, the allocated budget has only ever been £8m and this position has been maintained. Although the scheme started on the basis that it would extend to all blocks, this was on the understanding that it would be met within the existing allocation. These resources were not adequate even at the outset. The reductions in capital allocation to the decent homes programme in 2009 meant that no further additional commitment could be made to this project.

2.5 Have cuts to Government Grants for capital funding for housing had any impact on the delivery of these security works?

There was a reduction to the annual Decent Homes allocation from £45m to £40m in 2009/10 due to a combination of factors:

Resources constraints:

- discontinuation of supported borrowing
- slippage in achieving capital receipts
- expenditure pressures on regenerations sites and new initiatives

This reduction had no impact on the overall budget for 4 Squares. The original allocation was £8m of which £6.7m has been spent to date leaving a balance of £1.3m. Last known estimates for the outstanding security schemes at Marden and Layards were £2.2m and £2.3m respectively.

2.6 What are the current proposals/prospects for the completion of these works?

There is no existing funding identified in the present two year programme. Priorities for future investment in the Council's stock will be considered by the Cabinet in December 2010. The delivery of the Decent Homes target will take precedence given the overwhelming need to bring Southwark to the standard of it's peers. Residents will be fully consulted, between December and February 2011 with a final post consultation report back to the Cabinet in March 2011 to enable future investment programmes to be finalised. The residents of Four Squares will be able to feed their views into this wider consultation before the future programme is agreed by Cabinet.

ADDITIONAL QUESTIONS TO HOUSING OFFICERS AND WRITTEN ANSWERS

- 3.1 In your email sent on 15th February 2010 to (among others) Kim Humphreys, Anood Al-Samerai and Margaret O'Brien you stated ***"The Security works are not on hold. Indeed the full package of security works have been specified for Marden."*** You then went on to describe the process of possibly incorporating the works into the new major works contractors.

In your answer to question three put to you ahead of the last scrutiny sub-committee meeting you stated "When the capital allocation was reduced in 2009, Officers made clear that this scheme could not be funded in the current two year programme and that any decision would need to be deferred, and considered only in the context of the overall investment needs of the borough."

How is it possible that in an email to a Cabinet Member in February 2010 the works were "not on hold" even though officers had "made clear that this scheme could not be funded in the current two year programme"?

The Council's available funds for the Capital Programme fluctuates from year to year. The Investment Team faces a number of financial challenges in delivering a programme within the constraints of these fluctuations. This is coupled with the need to deliver larger numbers of decent homes following Southwark being 'red flagged' as an Authority for failing to deliver Decent Homes within the prescribed timelines and has meant that the current programme of works had to be reduced significantly. This reduction in the programme meant works projects across the Borough had to be deferred awaiting either additional funding within the 2-year period or the commencement of programmed works after 31 March 2012.

The background work in terms of completing specifications has continued as these projects have not been placed on 'hold' but are deferred. The timing of future investment works will be determined following the outcome of the current wider consultation taking place with residents and the subsequently agreed priorities

- 3.2 In your answer to question four put to you ahead of the last scrutiny sub-committee meeting you stated, ***"These resources [allocated to the work] were not adequate even at the outset. The reductions in capital allocation to the decent homes programme in 2009 meant that no further additional commitment could be made to this project."***

If this were the case, why were Marden Square security works tendered for in November 2009 on Southwark Council's website, after the capital allocation to the decent homes programme?

Works to Marden Square were indeed tendered in 2009 prior to the final decision on the reduced 2-year programme. At the time that building market was at a low point, and the tender exercise was to secure prices in the event of funding being available. There was no 'ring-fenced' budget for Four Squares security work, and the decision to proceed with the works on return of the tender could only have taken place based upon available capital resources and the investment need of the stock. This was always to be subject to a full review on receipt of the results of the Stock Condition

Survey and in the light of any change in the future resource levels for housing capital investment. That review is now underway.

3.3 As per your statement "*Officers made clear that this scheme could not be funded in the current two year programme and that any decision would need to be deferred,*" can you produce documentary evidence that officers had made this clear?

The 2-year programme and the rationale behind the decision and future mechanisms for major works provision were presented to Tenants and Home Owners Council and Area Forums late in 2009. Indeed the 4 Squares T&RA were represented at the Bermondsey East Forum when the relevant item was presented. Following this presentation the Four Squares T&RA extended an invitation for Officers to attend a T&RA meeting early in 2010 at which the Four Squares issues were once more discussed. Nevertheless it is true that all residents of the Estate were not explicitly consulted on the deferment of the scheme. We accept that in the light of the long history of the project and the level of expectation on the estate residents had a right to expect that the full implications of the two year programme should have been explicitly communicated to all residents.

3.4 Was any action was taken to try to tackle the overspend at any stage while it was happening? Did anyone ever point out that the rate of spend would mean £8 million was not enough for the whole estate?

Officers involved in the New Place project worked hard to reduce the over-run and over expenditure on this contract. However, the New Place contract was a pilot project and there were numerous design issues that could only be sensibly finalised on site. These issues served to extend the contract period and this in turn with the urgent heating mains replacement works that were undertaken to the Estate frustrated the practical completion of the project and ultimately increased costs.

The out-turn designs from New Place worked very well on the adjacent block that followed. This contract also benefited from the learning curve at New Place and has been well received by residents.

The budget allocation was from the general Capital programme. There is no and never has been a ring-fenced budget for Four Squares. Officers have reported likely costs to complete the works in their usual monitoring processes. The need has been looked at in the context of the wider investment need and the actual available funds for the Capital Programme. Unfortunately pressure on the funding for the Capital Programme has resulted in a reduced 2-year programme of works leading up to 31 March 2012 and this reduced programme does not include the security works to the remaining two squares

3.5 Has a formal decision ever been made to reallocate the remaining £1.5 million (out of the original £8 million allocated)? If not, could this allocation still be spent on some form of security work on the estate?

As the allocation for the Four Squares was not from a ring-fenced or separate budget there is funding sitting in Council accounts waiting to be allocated. The current funding for the Capital Programme has been committed to the current 2-year programme of works. This programme was agreed by the Director in line with delegated decision making powers, however, Member input was sought and briefings given to the then Leader and Deputy Leader of the Council before the programme was published to Area Forums and implemented in late 2009.

Resident consultation as to the extent and types of works that residents believe the Council should undertake will take place throughout January and February 2011 with Officers reporting back to the Cabinet in the Spring. There will then be wider consultation on a future programme of works starting 1 April 2012 and beyond. This will take place with stakeholders in the Summer and Autumn of 2011.

3.6 Leaseholders on New Place Square and Lockwood Square paid significant sums towards the works. Have these been taken into account as they will have gone towards the spend?

The Council does not account for major works service charges in the manner suggested in the question to individual projects, not least because we provide a wide range of payment options over varying terms. We are unable therefore to be certain of income in the short and sometimes medium term that could be allocated to a specific scheme or project.

In respect of the works at New Place and Lockwood Squares all leaseholders have been invoiced for their proportion of the works but few, if any, at present have paid in full and it must be stated that the period for instalment payments for these invoices is still ongoing and as such we could not have reasonably accounted on receiving these funds by the current date