

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 17 April 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Review of Leaseholder Charging in Southwark - Report of the Housing and Community Safety Scrutiny Sub-Committee	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Housing and Community Safety Scrutiny Sub-Committee	

## RECOMMENDATION

1. That the cabinet notes the recommendations of the review of leaseholder charging in Southwark, undertaken by the housing and community safety scrutiny sub-committee (attached as appendix 1 to this report) and asks Councillor Ian Wingfield as the cabinet member for housing management, to bring back a report to cabinet, in order to respond to the overview and scrutiny committee by June 2012.

## BACKGROUND INFORMATION

2. On 12 July 2011, the housing and community safety scrutiny sub-committee agreed to carry out a scrutiny of leaseholder charging in the borough. The sub-committee recognised that any process of systematically charging thousands of people often large sums of money is never going to be a popular council service. However, despite a number of reviews and scrutiny processes in recent years, the sub-committee felt there was a genuine and continuing concern among leaseholders that the charging process could and should be improved.
3. The housing and community safety scrutiny sub-committee recognises that it is in everyone's interests – leaseholders, tenants and the council – to have a system in place which is accurate, fair and efficient and maintains high levels of customer service.
4. By April 2011 there were 13,183 leaseholders in Southwark who were liable to pay service charges of one type or another. In addition there were 1,179 freeholders, making 14,362 property owners affected by this type of charging in the borough.
5. There are various types of charge that might be levied on a leaseholder. Below is a short description of each.
6.
  - (a) Routine annual service charges
  - (b) Major works service charges
  - (c) Ground rent
  - (d) Rechargeable costs (usually due to breach of lease)
  - (e) Court costs
  - (f) Interest (on arrears, either at lease rate or county court rate)
  - (g) Administration fees under the lease (e.g. assignment or re-mortgage)
  - (i) Administration fees for other services (e.g. permissions)

(j) Rent (shared equity leaseholders)

7. At the scrutiny sub-committee meeting on 11 October the cabinet member for housing management, Councillor Ian Wingfield, was interviewed about a range of issues, including leaseholder charging. At this meeting Councillor Wingfield said that he wanted to ensure leaseholders were being treated fairly and that it would be useful for the sub-committee to investigate the issue. The minutes record the following:

“Councillor Wingfield talked about Leaseholder Charging and his view that there was a need to look into how the charging process worked and what could be done better to ensure fairness to leaseholders. He suggested that it would be useful for the sub-committee to investigate the systems in place and make recommendations on areas that need improving.

...Councillor Wingfield went on to explain that from his perspective, although the council did comply to the letter of the law on leaseholder charging issues, this was not always the same as treating leaseholders in the best way it could.

8. The scrutiny sub-committee includes co-opted members from Southwark's Homeowners' Council (the Chair, John Nosworthy) and LAS 2000 (Jane Salmon). Both had expressed the view that it would be useful to investigate this issue and that it was important that leaseholders were involved in the process.
9. Initial consultation with leaseholders and councillors identified the following issues as areas of concern:
- Some examples of over-charging on major works service charges due to miscalculation of costs or over-charging by contractors
  - Charges being levied despite work being incomplete or of poor standard
  - Large administration charges for requests to make external changes to a property
  - A lack of cross departmental working on issues relating to leaseholder charging
  - A lack of detailed information for leaseholders on the works being carried out for which they are charged
  - Examples of leaseholders not being adequately consulted prior to work being carried out
  - A lack of progress on some of the recommendations of the Grant Thornton Audit of Leaseholder Service Charges (published in 2009)
  - A concern among leaseholders that the Administration Fee under the Lease is too high
  - A concern among leaseholders about the ability of the council to accurately manage leaseholder charging for major works in the light of the new five year Housing Investment Programme.

**Recommendations from the Housing and Community Safety Scrutiny Sub-Committee**

1. During the scrutiny the sub-committee felt that, as a general principle, the more information that could be given to leaseholders to allow them to scrutinise their own service charges, the better. Leaseholders themselves have a strong financial incentive to ensure they are getting value for money. The council

should seek to maximise their involvement in checking that bills are accurate. Interviews with staff from the home ownership and tenant management initiative division also showed that they thought providing leaseholders with more detailed information helped to improve the accuracy of charging. In keeping with this principle, full details of how the actual service charge is calculated should be provided online, rather than waiting for individual requests for this information. Currently, these details are only provided on request, after the actual bill has been issued. The completion of the BAR project should assist officers in providing this additional information.

2. Steps should be taken, as an extension of the BAR Project to make available online details of major works and annual service charges relating to individual leaseholders. Leaseholders would then be able to see an on-going calculation of the charges being levied and to hold the council and its contractors to account for works which are being charged for. Leaseholders should be issued with details of an individual account to which they can log-on and see details of the annual and major works service charge calculations to which they are subject.
3. Clearly there are certain legal requirements around service of invoices; notices etc. which mean electronic communication cannot currently replace letters. However, leaseholders should be able to opt to receive more of the necessary correspondence from the council via email rather than paper letter
4. Given the problems outlined in this report (and previous scrutiny reports), very serious consideration should be given to whether or not a contracted out model of repairs is the most suitable for a service which needs to be flexible and subject to direct management control of senior managers. This recommendation should be borne in mind during the decision making process regarding the reconfiguration of repairs services.
5. Council officers responsible for signing off work should be encouraged to refuse to pay contractors for poor quality or incomplete work. The case studies outlined in this report show that there are incidents in which this happens and this must come to an end.
6. The signing-off of poor quality or unfinished works and repairs continues to be a problem. To help address this, the name of the individual officer who has signed off works should be attached to all works and repairs. The name of the officer should be available to leaseholders as part of the information they will be able to access online about ongoing and recently completed works. (See recommendation 2). The name of the officer signing off works should, in essence, be publicly available. This will encourage clearer lines of responsibility for the signing off of work.
7. In 2012, the housing and community safety scrutiny sub-committee dedicated a meeting to the council's work on contract management in housing. This should be attended by Councillor Ian Wingfield (Cabinet Member for Housing), Gerri Scott (Strategic Head of Housing Management), David Lewis (Head of Maintenance and Compliance) and David Markham (Head of Major Works) to review progress on the council's work to tighten up contract management (both on major works and service contracts) by Southwark's Housing Department. A report will be published by the sub-committee on the progress of this work.

8. It is clear that the ability for leaseholders to “drop in” to the Home Ownership and Tenant Management Initiatives office and speak to a person face to face is highly valued by leaseholders. Whatever changes are made in the future, this aspect of the service should be maintained.
9. Improvements need to be made in cross-departmental working. Works needs to continue to be done in getting officers in the wider Housing Department to work more closely with officers in HO &TMI, and vice versa. The newly appointed senior management team should be supported in their efforts to encourage collaborative and supportive working across divisions in the housing department. Where silos continue to exist, managers need to give consideration to how more co-operative working can be encouraged.
10. Given the consensus that there is a clear lack of appreciation of leaseholder issues by housing management staff, the sub-committee wishes to suggest two possible options which could be considered as ways of rectifying this problem:
  - a) Expand the remit and function of HO & TMI to take on a more general housing management role and activities to cover these issues; or
  - b) Have a dedicated leaseholder officer based in each of the other housing management services who may or may not come under the HO & TMI but will have to liaise and report to it.

There should also be increased training and raising awareness amongst staff dealing with leaseholders, promoting a more integrated system.

11. HO &TMI must be made aware of works which would involve charges (and therefore a section 20 consultation) for leaseholders. Failing to do so is essentially leading to tenants subsidising leaseholders. These incidents should no longer be allowed to “slide”. Prior to this recommendation being implemented, senior managers in the housing department should inform the relevant managers and officers that a new, firmer approach is being taken on this issue.
12. A new two-tier system of charges should be introduced to cater for requests to make minor changes to properties. The current flat rate £193 charge should be replaced so that leaseholders making requests for minor changes should be charged significantly less than those making requests to make major changes.
13. The sub-committee accepts that it would be sensible to investigate further offering leaseholders the option of a fixed service charge which incorporates both the annual services charge and major works service charges. The cabinet member and director should be urged to review counsel’s advice already received, make a thorough assessment of the financial implications for the council, and see whether any difficulties need to be overcome in order to make this option available to leaseholders.
14. That all recommendations of the Grant Thornton report be speedily implemented.
15. The sub-committee (or its successor) should return to this subject in twelve months’ time to assess what progress has been made with regard to the recommendations made in this report.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Housing and Community Safety Scrutiny Sub-committee – Agenda and minutes	Scrutiny Team 160 Tooley Street London SE1 2QH	Sally Masson Scrutiny project manager Tel: 020 7525 0324

## APPENDICES

No.	Title
Appendix 1	Report of the Housing and Community Safety Scrutiny Sub-committee – Review of Leaseholder Charging in Southwark

## AUDIT TRAIL

<b>Lead Officer</b>	Shelley Burke, Head of Overview & Scrutiny	
<b>Report Author</b>	Sally Masson, Scrutiny Project Manager	
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<b>Dated</b>	2 April 2012	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	N/a	N/a
Finance Director	N/a	N/a
Chief Officers	N/a	N/a
<b>Cabinet Member</b>	N/a	N/a
<b>Date final report sent to Constitutional Team</b>		2 April 2012