

Review of Leaseholder Charging in Southwark

Report of the Housing and Community Safety
Scrutiny Sub-committee

March 2012



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Part 1 – Introduction

Background to leaseholder charging in Southwark

- 1.1 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.
- 1.2 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.
- 1.3 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.
- 1.4 There are various types of charge that might be levied on a leaseholder. Below is a short description of each.
- (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)
- 1.5 At the scrutiny sub-committee meeting on 11 October the Cabinet Member for Housing, 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.
- 1.6 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.
- 1.7 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.

The scope of this report

1.8 Leaseholder charging in any London borough is an extremely complex subject. Just to illustrate this point, the first version of the leaseholder charging briefing provided to the sub-committee was more than 300 pages long and included 15 separate appendices. With this in mind the sub-committee felt that from the outset it was important to “follow the evidence” rather than produce a report which just described all the processes which are involved in leaseholder charging. The focus of the sub-committee in carrying out this scrutiny is to find areas in which significant improvements can be made.

1.9 For a general description of the processes involved in leaseholder charging in Southwark see Southwark’s Homeowners’ guide here: http://www.southwark.gov.uk/downloads/download/391/homeowners_guide (This is currently being updated)

1.10 The evidence gathered by the sub-committee, including the views of leaseholders and councillors, has led us to concentrate on the following areas:

- Customer service standards
- The accuracy of major works charges
- Progress on implementing recommendations from the Grant Thornton Report
- Improvements to IT systems used to administer leaseholder charging
- Alternative options for leaseholder charging
- Communications with leaseholders and potential leaseholders
- Inter-departmental working

1.11 In order to collect evidence the sub-committee has used the following methods:

- Statistical analysis of casework and complaints
- Statistical comparison with other London boroughs
- Analysis of Southwark’s own Homeowners’ Survey
- Call for evidence to Southwark councillors
- Written submissions from Homeowners’ Council
- Leaseholder charging case-tracking
- Home Ownership and Tenant Management Initiatives division staff interviews
- Interview with Head of the Home Ownership and Tenant Management Initiatives division
- Interview with Head of Repairs Service
- Background research including the 2009 Grant Thornton Report
- Chair’s visit to Homeowners’ Council

- Written questions to officers in the Home Ownership and Tenant Management Initiatives division

1.12 The sub-committee appreciates that Leaseholder Service charges reflect the cost of communal services, i.e. services provided to all residents (freeholders, secure tenants and even commercial tenants). Any lack of value in their procurement or lack of quality in their delivery is something which affects all groups of customers not just the leaseholders. There is no doubt that the leaseholders are amongst the most vociferous of critics around the twin issues of value for money and quality but this is simply a function of transparency: their service charges are disaggregated to show the cost of individual services such as cleaning and grounds maintenance at a block/estate level or, in the case of repairs, the cost of individual repairs; whilst the rents are pooled across 40,000 users.

As a result it should be appreciated that a number of the issues highlighted in the report are matters connected to leaseholder charging, because the end results affect charges made to leaseholders. However the issues are, in the main, matters of procurement and contract management. This is an important point to appreciate in reading the conclusions and recommendations of this report.

1.13 With this report the scrutiny sub-committee aims to assist the council in reaching two primary objectives, both of which are equally important. They are:

- To have a fair, efficient and responsive system for charging leaseholders
- To meet the council's legal and financial responsibilities to recover funds from leaseholders


Part 2 – Scrutiny of Leaseholder Charging

Leaseholder Charging in Southwark

2.1 As table 1 shows, in 2009/10 the average revenue service charge for Southwark leaseholders was £1,085. This places the borough near the middle in a table of other inner London boroughs. The same can be said of average charges for major works with the average major works bill totalling £2,799. It would be realistic to expect this average charge for major works to rise over the next five years as Southwark's Housing Investment Programme is implemented.

Table 1. 2009/2010 – Inner London Borough Service Charge Statistics

Rank	Service charge payers	Total Billed	Revenue Service Charges Billed	Average Revenue Service Charge	Major works Billed	Average Major works Bill
1	2779	£7,883,880	£6,887,392	£2,478	£996,488	£570
2	2532	£4,642,500	£3,000,924	£1,185	£1,641,576	£893
3	9311	£1,987,448		£1,162	£1,987,448	£2,448
4	14639	£21,596,192	£16,400,000	£1,085	£5,196,192	£2,799
5	4484	£9,606,890	£4,671,733	£1,042	£4,935,157	£9,832
6	9159	£17,164,331	£11,765,171	£993	£5,399,160	£2,157
7	8687	£8,005,552	£8,005,552	£957		£4,672
8	8290	£15,556,351	£7,643,037	£922	£7,913,314	£6,413
9	4599	£3,320,887	£392,006	£785	£2,928,881	£7,243
10	6035	£989,344		£607	£989,344	£1,540
11	8989					

-  = Southwark
 - Ranked by average revenue service charge
 - Blank boxes indicate unavailability of information

2.2 Table 2 shows the service charge comparison between 2009/10 and 2010/11, with some explanatory notes. The figures for 2009/10 differ from those given in table 1 because they exempt properties in TMO's. TMO costs have different overheads, management and administration fees. The average service charge in Southwark has increased by £56.26 or 0.52% between 09/10 and 10/11.

Table 2 – Service Charges in Southwark 2009-2011

Year	Total Billed	Homeowners	Average Service Charge
2009/10	£14,133,588*	13,166***	£1,073
2010/11	£14,746,278**	13,199***	£1,117

* Gross of lift credits for previous years

** inclusive of part year completions

*** Gross of electrical testing - new service

The process for making service charges

2.3 The two most significant and regular charges made to Southwark Leaseholders are the annual service charge and major works charges.

2.4 In Southwark the annual service charge covers the following services:

1. Cleaning and upkeep - based on the hours the contractor's staff spent cleaning the block and estate
2. Estate grounds maintenance - maintaining communal land on housing estates
3. Lighting and electricity - includes maintenance of lamp columns and electricity supplied to all the lighting
4. TV aerials - covers the provision of a communal television aerial to blocks, if it is provided
5. Entry phones - covers the cost of its repair and maintenance
6. Heating - heating and hot water to some blocks and houses, includes repairs and maintenance
7. Lifts - includes repairs, maintenance and electricity
8. Security services e.g. a concierge, CCTV or private security
9. Responsive repairs - delivered through contractors (e.g. water testing; lightning conductors; dry risers; water pumps; mechanical ventilation etc)
10. Building insurance - charges for insuring the building
11. Ground rent for flats or maisonettes annual fee of £10 (in most cases). This is set out in the lease
12. Administration charge - a fee for administering the service charge account. This amounts to 10% of the total of the service charge

2.5 Each year, at the end of March, leaseholders receive an invoice detailing the estimated service charge for the forthcoming financial year, a breakdown of this charge and then given in four quarterly statements throughout the course of the year.

2.6 The statements detail payments made and the balance on the account at the end of that quarter. After the end of the financial year, Southwark's Home Ownership and Tenant Management Initiatives division calculates how much it has actually cost to provide the services to leaseholders and the HO&TMI convert this into the actual charges for each leaseholder.

2.7 A "major works charge" is a charge for larger scale works carried out to a block or an estate. Examples of this work might include:

- Installing security doors
- Renewing the roof or window
- Concrete and brickwork repairs
- Resurfacing the estate roads

2.8 A consultation with leaseholders must be carried out in order to charge any leaseholder over £250 for major works. The consultation is under section 20 of the landlord and tenant act 1985 (as amended). Section 20 consultation applies to both major repair works and to long term agreements to carry out repairs and renewals or to provide goods or services for which leaseholders may be charged. The consultation includes a Notice of Intention. This tells the leaseholder that the council intends to carry out works or enter into a long-term contract. This notice invites comments from leaseholders which the council must then take into account. The Section 20 process then moves on to a Notice of Landlord's Proposals which the leaseholder receives after tenders have been received. It tells leaseholders the results of the tender process, which tender the council intends to accept, and what the estimated individual charge will be. Again leaseholders are invited to comment.

Where repair or renewal works are carried out under a long term agreement (e.g. under the main repairs and maintenance contracts) only one notice is served, as the full statutory consultation would have been carried out on the long term agreement. The one notice served for the repair work itself is a combination of the notice of intention and notice of proposal, but without the results of the tender process.

Over the last two years HO & TMI have issued 7,018 notices of intention and 4,146 notices of proposals for major works. A further 34,246 notices of intention and 37,103 notices of proposals have been issued for long term agreements. In response to these the council has received 950 observations (8.5%) regarding major repairs and 260 observations (0.28%) about proposed long term agreements.

These response rates show that despite detailed consultation relatively few leaseholders respond to consultation even in respect of major works.

2.9 Like annual service charges, major works charges are usually calculated using the weighting method, so the larger the property, the higher the charge. In some instances, however, where it is considered that all properties benefit equally from the works, the council may simply divide the cost by the number of properties.

2.10 Major works charges are normally billed in October each year for properties where a Section 20 notice has been served during the twelve-month period ending the previous 31 July. The invoice will be the estimate quoted in the notice, unless any amendments have been made. Leaseholders are notified of the actual costs as soon as the final account for the contract has been agreed. All major works contracts have a defects liability period during which the contractor must remedy any defects free of charge. This is a minimum of six months, and may be as long as a year. The final account cannot be agreed until after the defects liability period has ended, and all defects have been rectified.

Casework and complaints

3.1 Southwark's member enquiry and complaints system can be a useful source of statistical evidence on the performance of council services. During the scrutiny process the sub-committee requested and received statistics on the number of complaints and members' enquiries received with regard to the HO&TMI division. One of the issues raised by several leaseholders (although not Homeowners' Council) in the initial stages of the scrutiny was that they felt there was a general problem with the way HO&TMI responded to leaseholder enquiries.

Homeowners' Council representatives on the sub-committee made the following point: "HOC and LAS2000 have regularly complained of the inequities in the complaints procedures as it is wholly operated as an internal exercise. The matter was as recently raised at the Repairs Core Strategy Group meeting held on 27 January 2012."

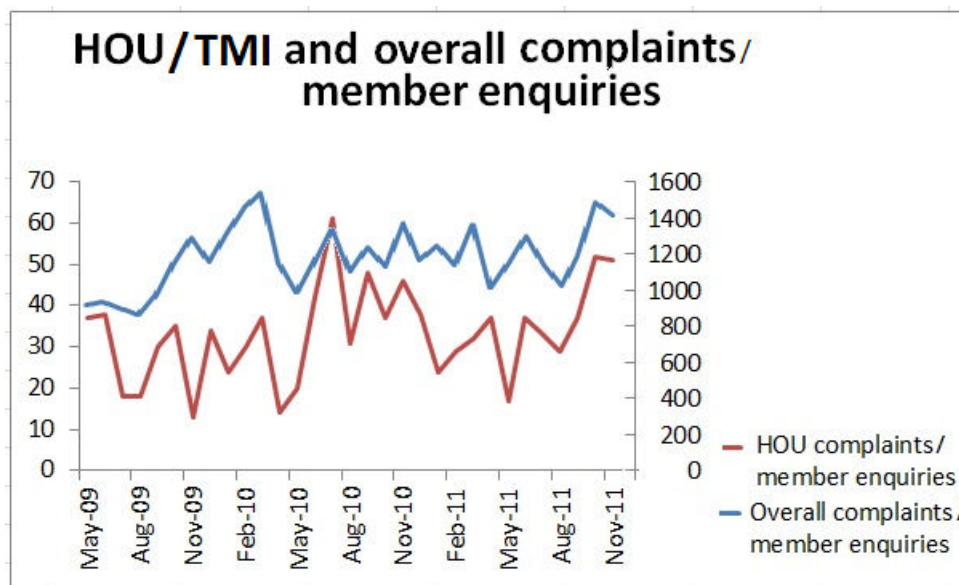
- 3.2** Information regarding complaints and members enquiries (MEs) is particularly useful in establishing systematic failings in customer service. Statistics taken from casework and complaints are a useful tool for identifying "problem areas" rather than providing a reliable indicator of overall customer satisfaction. To assess the latter, surveying is a more reliable source of information and this is considered in more detail in the next section of this report.
- 3.3** It was not possible to isolate complaints and MEs relating solely to leaseholder charging; however it is a fair assumption that the vast majority of these complaints and MEs relate, in some way or other, to charges being levied. The sub-committee recognises that these statistics have to be taken in context. For example, experience shows us that the overall level of complaints and members enquiries rises before and after elections. As a result it is important to view statistics on HO&TMI complaints and MEs in the wider context of the overall number of complaints and MEs which the council is receiving in relation to all services. Table 3 below gives these statistics. The third column from the right gives the monthly % of all complaints and MEs relating to HOU.

Table 3 – Complaints and Member Enquiries received in relation to HO/TMI and across all services

Period	HO/TMI complaints and member enquiries	Overall complaints and member enquiries	HO/TMI Complaints and MEs as a % of total
May-09	37	899	4.12
Jun-09	38	915	4.15
Jul-09	18	881	2.04
Aug-09	18	848	2.12
Sep-09	30	955	3.14
Oct-09	35	1128	3.10
Nov-09	13	1271	1.02
Dec-09	34	1140	2.98
Jan-10	24	1303	1.84
Feb-10	30	1441	2.08
Mar-10	37	1523	2.43
Apr-10	14	1131	1.24
May-10	20	969	2.06
Jun-10	42	1141	3.68
Jul-10	61	1314	4.64
Aug-10	31	1086	2.85
Sep-10	48	1216	3.95
Oct-10	37	1117	3.31
Nov-10	46	1353	3.40
Dec-10	38	1152	3.30
Jan-11	24	1230	1.95
Feb-11	29	1124	2.58
Mar-11	32	1347	2.38
Apr-11	37	1001	3.70

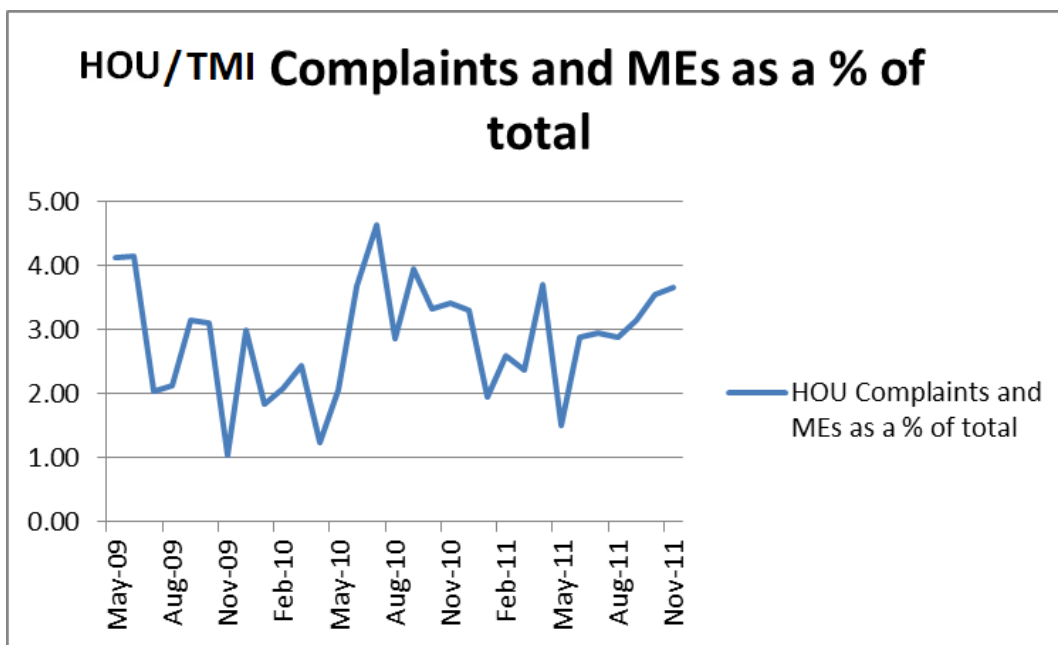
Period	HO/TMI complaints and member enquiries	Overall complaints and member enquiries	HO/TMI Complaints and MEs as a % of total
May-11	17	1128	1.51
Jun-11	37	1284	2.88
Jul-11	33	1121	2.94
Aug-11	29	1011	2.87
Sep-11	37	1177	3.14
Oct-11	52	1467	3.54
Nov-11	51	1399	3.65
Total	1029	36072	

Graph 1



3.4 Graph 1 shows the overall number of complaints and MEs and the number of complaints and MEs relating to the Home Ownership and Tenant Management Initiatives Division, plotted on the same graph. The graph shows the general correlation of the two sets of figures.

Graph 2



3.5 Graph 2 shows that the monthly % of all complaints and MEs relating to HO&TMI has fluctuated from a low of 1% to a high of 4.5%. Fluctuations may well be the result of service charge and major works bills being issued. The Housing Department generally makes up around 50% of all MEs and complaints. The sub-committee concludes from these figures that the % of complaints and Members Enquiries relating to HO&TMI is generally low.

3.6 Also, the number of HO&TMI related complaints and MEs appears to generally reflect the number being made to the council generally. These figures do not provide any evidence that levels of customer service relating to leaseholder charging should be an area for concern. Though, as the next section shows, that does not necessarily mean the majority of leaseholders are satisfied or happy.

Homeowners' Survey

4.1 The sub-committee requested and received information regarding the council's own key performance indicators in relation to services relevant to leaseholder charging. The full report provided to the sub-committee can be found here:

<http://moderngov.southwarksites.com/mqConvert2PDF.aspx?ID=24302>

4.2 Southwark began a quarterly sample survey of 800 home owners in October 2011. This was subsequently increased to 1000 in quarter two of 2011/12. The survey is carried out over a four-week period using a postal questionnaire and random selection of leaseholders from across the borough. Three £25 vouchers are offered as an incentive to return the questionnaire. Return rates over the three quarters have been between 9% and 11%. Importantly, officers compiling this survey appear to be using industry standard techniques and are avoiding the pitfalls of the repairs service survey which was, in part, the subject of a highly critical report issued by the Housing Scrutiny Sub-Committee in 2011.

4.3 The survey results show that satisfaction with the overall service is generally low, although it does appear to be improving. The recent surveys with overall satisfaction between 46% and 57%. Table 4 gives a summary of the most recent set of results:

Table 4

Performance Indicator	05/06 Ipsos MORI	10/11 Qtr 3	10/11 Qtr 4	11/12 Qtr 1	11/12 Qtr 2	Last 4 Qtrs
% satisfied with the overall services provided by the council (NI 160).	33%	46%	57%	47%	53%	51%
% satisfied that their annual service charge represents value for money.	19%	27%	25%	30%	32%	28%
% satisfied that the major works service charges represent good value for money.	17%	12%	5%	24%	6%	11%
% satisfied with the overall quality of the major repairs work carried out.	n/a	18%	21%	31%	27%	24%
% satisfied with the way the council generally deals with communal repairs and maintenance.	27%	30%	32%	35%	48%	36%
% satisfied with the general upkeep of their block or estate.	54%	51%	66%	56%	62%	59%
% who feel that the council is good at keeping them informed about things that affect them as a homeowner.	50%	52%	62%	50%	71%	59%
% who described their officer as very or fairly helpful.	47%	55%	59%	58%	70%	61%
% satisfied with their neighbourhood as a place to live	61%	82%	76%	92%	79%	82%
% satisfied with the play areas in their neighbourhood.	n/a	66%	68%	53%	58%	62%

4.4 It is noteworthy that the two very lowest levels of satisfaction both relate to major works. Results showing satisfaction with the quality of works themselves (24%) and their value for money (11%) present a major challenge to Southwark Council. Annually, almost three quarters of homeowners said that they did not think the major works service charge represented value for money. This compares to only 11.4% of home owners who thought that the service charge represented good value for money. The scheduling of works was identified as an issue of concern. Some residents claimed that there had been no work for over a decade, while others stated that the major works they had anticipated had been continuously cancelled. Some of the recommendations in the final section of this report seek to address this particular problem.

4.5 It is also worth noting the low satisfaction with value for money of the annual service charge (28%), though this improved since the Ipsos Mori survey in 2005/6. For the year, around half (50.4%) of

homeowners believe that the annual service charge does not represent good value for money. Just over a quarter believe that it does represent good value for money, at 27.9%. According to the report provided to the sub-committee, further analysis of the survey returns hinted at some of the reasons for these figures. The report stated:

“Comments from homeowners suggest that there is some work to be done on understanding the nature of service charges. The majority indicated that more detail was needed in order to fully understand the services being provided. Many homeowners noted that the service charges invoices sent to them were often revised later, making budgeting difficult.”

Again, this report seeks to make recommendations to address this issue.

- 4.6** Additional information provided through the survey gave further insight into the areas which are giving rise to frustration amongst leaseholders. Table 5 confirms that the quality of the responsive repairs service remains a serious issue. Table 6 shows that the quality of work done as part of major works is a concern for more than half of leaseholders dissatisfied with the service.

Table 5

The percentage of respondents saying the following services for which they pay annual charges were poor or very poor value for money were (each area assessed separately):

Responsive repairs	40%
Security services	32%
Care and upkeep	32%
Entry phone	29%
Lifts	29%
Estate grounds maintenance	28%
Communal TV aerial	26%
Heating	22%
Lighting and electricity	19%
Building insurance	19%

Table 6

The percentage of respondents saying they were unsatisfied or very unsatisfied with the following areas for the last major works which took place in their block or estate were (each area assessed separately):

Cost of work	74%
Quality of work	54%
Clarity of information provided about work	46%
Consultation with yourself	43%
Consultation with resident representatives	35%

4.7 It is welcomed by the sub-committee that the report presented to it did not attempt to sugar-coat the survey results. The sub-committee strongly believes that an honest recognition of the areas of weakness is a vital pre-condition to improving services. The report from officers set out how the information which was gathered would inform on-going and future work.

4.8 Among the planned changes specified in the report to address some of these issues were:

- Ensuring that major works represent value for money: through tighter specifications, reduced variation orders and stronger contract management
- Working across divisions to improve the quality of information on major works to homeowners
- Delivering the home owner service charge module
- Improving the quality of information delivered to homeowners
- Promoting the Right to Manage with Tenant and Resident Associations /Area Forums
- Delivering self-management to at least 2 of the 5 currently in development

Leaseholder charges case tracking

5.1 In October 2011 the scrutiny sub-committee asked officers to give a detailed response to a number of cases that might show weaknesses in the leaseholder charging systems. Details of case studies are shown below in Table 7.

Table 7 - Leaseholder Charges Case Tracking

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
Cardiff House Peckham Park Road, SE15 6TT	<p>Leaseholders said: Final bill is 500% more than original estimate. There was a lack of transparency in billing for works proposed and actually done. For example, about 35% of bills in some cases were allocated to preliminary work. There was a general lack of consultation when works extended beyond section 20 notice agreements.</p> <p>HO&TMI /Major Works response: The section 20 notice detailed the works proposed, gave an individual estimate and invited leaseholders to view any contract documents at the office of the home ownership unit. Southwark provided a calculation sheet of all the works including preliminaries and overheads. The Final Account for the major works contract fell by £748,179.45, there were no additional works or costs incurred that required the landlord to carry out additional section 20 consultation. The main reason for the large increase from the estimate in 2006 to the final account in 2010/11 is as follows: The contract started later and lasted longer than the anticipated date used to construct the estimate; this affected the leaseholders' position in regards to being protected by their s125 limitations. Leaseholder alternative calculations were not done in accordance to the lease or the legislation. The tribunal decision was in favour of the landlord. Due to the size and scale of the works the site prelims were separated between internal and external works and averaged around 23% for externals. The general prelims were part of the tendered percentages for the overall partnering contract at 4%. The contract award was based on the successful contractor submitting the lowest costs and best quality submission.</p>	2007-2009	The key phrase here is: "The contract started later and lasted longer than the anticipated date used to construct the estimate." In other words, Southwark failed to manage the contract effectively. Poor contract management (which in this case is the responsibility of the Major Works Department) including dramatic over runs and increases in service charges is a recurring theme in these case studies.
Elm Grove Peckham SE15 5D	Leaseholders said: The leaseholder's estimate for the work was £1,800-£2,500. The Council's estimate was £6,250, more than 200% more. 95% of the work on the site specification has not been done and nobody has been to see of the work has been done or not.	Feb-11	

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
	<p>Southwark response: This work was subject to a traditional procurement process. The leaseholder had been complaining about the condition of his windows for some considerable time and requesting that the Council carry out an external decorations contract. At his own request he waived his right to have a full observation period in order to proceed the contract and did not nominate a contractor to be added to the tender list, as was his right. The proposed work to his block consisted of decorations and some window repairs.</p> <p>Three quotes were obtained for the work and the lowest was accepted. The works have been post inspected by the project manager for the scheme and the works are satisfactory. The contractor (Standage) has been asked for a more detailed breakdown of works and the project manager is also chasing for the final account.</p>		<p>Clearly it would have been better if the leaseholder had taken the opportunity to nominate a contractor to add to the tender list. The large gap between the leaseholder's estimate and the amount paid by the council is, however, a concern. Nonetheless, this particular case does not provide any clear evidence that the council was paying over the odds.</p>
<p>Ramsfort House Roseberry Street SE16 3N</p>	<p>Leaseholder said: Poor workmanship. Poor planning and design. Work left unfinished. Lack of Council attendance and project management. Incomplete and poor work was signed off. Work charged which should not have been (new work and improvements). Poor decision making and leadership.</p> <p>Southwark response: HO&TMI &TMI said "Issues of new work and improvements are believed to refer to defensible space – the creation of gardens outside the tenanted properties – which were not recharged to leaseholders." Major Works said "This particular case is still being resolved with the leaseholder. This particular scheme coincided with a re-organisation of staff. The management of the project should have been better and the work was accepted when not to the required standard. Subsequently works have been rectified at no additional costs to leaseholders and discussions are currently taking place as to a possible reduction in charges."</p>	<p>Dec 2006 - Present</p>	<p>The sub-committee has been advised that Major Works are dealing with the complaints about the quality of the work and project management issues – HO&TMI are aware of the on-going negotiations, but cannot comment on the outcome.</p>
<p>Osprey House Pelican Estate SE15 5NT</p>	<p>Leaseholder said: No significant work has been undertaken on the block, yet the service charges have rocketed dramatically. The wall is wet due to a problem with the guttering. Water is dripping through and needs urgent repair.</p>	<p>Oct 2009 – Aug 2010</p>	

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
	<p>HOU/Major Works response: Service charges have risen since 2003/04 due both to increased efficiency in identifying costs incurred by the Housing Revenue Account and charging them properly in accordance with the lease, and the general increase in the costs of service provision in the period. However, for the last three years (2007/08 to 2009/10) the actual service charge has been £900.52, £1,176.03 and £1,233.94 respectively. The 2010/11 actual service charge is due to be issued shortly.</p> <p>A review of the repair history for 1-12 Osprey House going back 5 years has highlighted that works were identified and subsequently undertaken to address a problem with guttering outside no 8. This work was raised on 8th June 2010, and completed on 11th August. On 18th March an order was placed to repair the damaged asphalt outside no 12 as this was identified as the cause of water penetration to no 6. This order was completed on 6th April. We are unable to identify any other works orders that relate to water penetration at Osprey House, but have arranged for a survey to be undertaken urgently. Appropriate works will be raised to rectify the fault.</p>		
Osprey House Pelican Estate SE15 5N	<p>Leaseholders said: Communal cobblestones are not cleaned, hedge at the rear is not cut often enough. The gate has been damaged by Council workers. Windows replaced at a cost of £20,000 but locks keep breaking. Roof work is substandard quality. Electrical window fan fitted in the kitchen but not connected. Fuse box was replaced with an old one despite being charged for a new one. No compensation for the removal of a security shutter which had to be removed to install the new windows.</p>	On-going	

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
	<p>HOU/Major Works Said: The final account for the major works has been issued and has a 10% reduction on the original tender. The Major Works Division has stated that all works were completed satisfactorily, allowing the final account to be signed off and all payments made to the contractor.</p> <p>The contract was discussed at LVT and the costs were found to be reasonable for the works. The works were carried out well on site and no major problems have been reported during the defects liability period or subsequently. Leaseholders are responsible for their own wiring to properties and it is therefore their responsibility to connect up fans to their own electrical systems. Compensation is not given to residents who have put up their own grilles. These can be a fire hazard and the new windows provide adequate security.</p> <p>The review of repair history going back 5 years highlighted a number of repairs that related to communal lighting, but there is no record of a fuse board having been renewed to the communal part of the block.</p>		
Curlew House Talfourd Road	<p>Leaseholders said: service charge does not reflect the work that is actually done. Someone should go round and actually list the work that needs to be done and charge for that.</p> <p>HOU/Major Works response: The Council has a regime of post inspection of the works that are undertaken via the Repair & Maintenance contract. A level of physical checks is undertaken by our Technical staff to assess the level of quality, adherence to specifications, and so that appropriate works to resolve faults are performed. Alongside this, our Commercial team also review all payments claimed by contractors. Where appropriate deductions are made from the payments applied for by contractors. Such deductions are made on grounds such as works not undertaken, incorrect measurements, lateness and poor quality. The terms of the contract enable Council to remove works from contractors for repeated poor performance</p>	On-going	

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
Columbia Point and Regina Point	<p>Leaseholders said: Original Tender £532,309.23. Works Tendered for but not carried out £38,736.33. Thus Tendered price for works actually carried out £493,572.90. Final A/C £628,690.84. Increase in cost of works actually carried out £135,117.94. Percentage increase in cost of works actually carried out 27%.</p>	2010	<p>These major works were the subject of an individual scrutiny at the beginning of 2011. This concluded that the variation to the contract to install the venting was not communicated to residents. Indeed, communication with residents generally during these works was poor. Also, a need for much tighter contract management was a key recommendation of the report.</p>
	<p>Southwark Response: It is not uncommon that tendered amounts vary from the actual costs as many items are re-measured when on site. That is the case with most of the smaller differences at both Columbia and Regina Points. It is also fair to say that some issues are not discovered until works are on site and that is the cause of the biggest differences at these blocks, particularly in relation to the cross ventilation issue. This issue represents approximately 75% of the total increase at both blocks. The reason for this increase is in essence because Building Control requirements meant that the original plans to resolve the cross ventilation of the lobbies issue were not practicable and were considered to result in higher costs than with the [a] secondary option</p>		

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
Maddock Way	<p>Leaseholders said: Originally we were quoted a costing which was £4,445 per leaseholder. There are only ten dwellings of which seven are leaseholders. The roof in question had been repaired so many times it was decided to renew in its entirety. Not before the roof above 28/30/32 had to be redone through a total botched job by S.B.S. the second job was fulfilled to a very high standard and then discarded for the complete renewal by Elkins contractors. The reason for the increased costing was over an extended guarantee period. Because of the way the increase came about the additional cost is still to be finalised</p> <p>Southwark response: The initial quote obtained by our team was based on the Southwark schedule of rates contract. This included a minimum requirement to have a 15 year guarantee for all flat roof renewals. At the same time that this was obtained the council asked the consultant, Blakeney Leigh, to obtain a flat roof system renewal cost and this was tendered to various contractors to comply with CSO's. The system specified by Blakeney Leigh incorporates a 30year guarantee as standard and has been used on a number of properties within the borough. The system was successfully tendered with the most cost effective supplier returning a cost in the region of £73,000.00. Incidentally the renewal has also been quoted separately by Morrison's to renew in asphalt at approximately £72,000.00. The asphalt system has a maximum guarantee period of 25years.</p> <p>As can be seen the difference in cost to double the guarantee from 15 years to 30 years does not double the cost, nor does the cost vary greatly between the 20 year and 30 year system, but the benefits of the longer guarantee are clear for both Leaseholders and the Council.</p>	None given	Strange use of language in the response. "The council approached us.." The chair of the sub-committee has submitted an ME asking if Leaseholders were consulted on whether or not they wanted a 15 or 30 year period of insurance and, if so, could he be told the form of that consultation.

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
<p>Bromleigh Court SE23 3PW</p>	<p>Leaseholders said: Several sets of major works to the block (windows, electrics, door entry system, disabled access, fire doors etc).</p> <p>Leaseholders have been challenging many aspects of the costs, including: The cost of a door entry system was doubled by including disabled ramps without any consultation. Some ramps were installed in the wrong place (e.g. a disabled ramp at a back door allowing entrance to a lobby which then required climbing two sets of stairs, when the front door gave access to the ground floor and a lift) and handrails that look like scaffold poles were installed at the wrong height. The door entry system has had repeated problems (visitors not able to hear residents and vice versa).</p> <p>On each occasion Councillors and leaseholders have had to fight to take unacceptable cost elements out of the contractor's bills. The electrical contractors claimed for wiring that leaseholders argue was not completed and by carefully scrutinising costs they have managed to find duplicate invoices, works that were not complete, items charged for that were not actually used etc.</p> <p>The council has charged tenants and leaseholders for a communal TV aerial which essentially doesn't work for most properties and has been the subject of repeated complaints. There are also generic issues such as repeated job numbers for repairs, trades people not attending scheduled appointments and delays getting compensation for missed.</p> <p>Southwark Response: All leaseholders were consulted under the Statutory Leasehold consultation Requirement's and no observations were received. Leaseholders only started to query the works once the project commenced on site.</p> <p>No local consultation at Area level was carried out with leaseholders in respect to the increase in costs due to the inclusion of the ramp and steps to comply with part M building regulations. No disabled ramps were installed incorrectly as suggested.</p> <p>The handrails installed at 22-29 were the wrong height, a resident brought to the Council's attention and the height of the handrails were subsequently reduced. There were issues with the door entry system following the installation being completed.</p> <p>However, the issues have all been addressed. Dialogue with the Leaseholders and Councillors has taken place regarding the costs of the door entry system. Chargeable elements to leaseholders have been reduced and agreed through constructive dialogue.</p> <p>There have not been any duplicate invoices paid against this scheme. The resident carried out a measure of the lateral wiring at Bromleigh court and advised the Council that it had been over measured and overpriced. An independent audit (re-measure) was then carried out to all blocks, which identified an overcharge of £2,300.00 solely against the lateral rewiring element.</p>	<p>200?- 2011</p>	

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
Crystal Court	<p>Leasolders said: Leaseholders were given £30,000 bills for major works which included more than £12,000 for ten mobile phones and broadband costing over £500.</p> <ul style="list-style-type: none"> • There were also issues over the levels of the administration fee charged by the council and the “professional fee.” <p>Southwark response: The administration fee is charged at 10% of the service charge, in accordance with the terms of the lease.</p> <p>Professional fees are charged at the cost of providing the service and normally expressed as a percentage of the service charge. The lease allows the Council to charge for the cost of overheads and management of services including repairs and renewals.</p> <p>Major Works The prelim costs were based on the original costs in the original tender. Over the past few months there have been a number of meetings with leaseholders and their representatives and as a result the contractors have agreed to a number of reductions to preliminary costs including the number of mobile phones charged for. It should be noted that the £12k quoted was the overall contract cost and not the amount charged to leaseholders. The contractors are required to have internet connections and will recharge these at the actual cost. The £500 stated is the overall contract cost for 35 weeks and not the recharge per leaseholder.</p> <p>The Professional fees cover specific areas of the works package such as preparing the works package documentation, preparing & agreeing design issues, statutory health and safety management (CDM 2007), supervision of the works packages, customer satisfaction issues, and managing the defects and final accounts periods. This works package will be managed by the Council’s internal Design & Delivery Team</p>	200?-2011	
Rowland Hill House	<p>Leaseholders said: Large case on separate document. Rowland Hill House – all for Major Works division other than reference to statutory consultation and errors in rechargeable block cos</p>	2010-ongoing	

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
	<p>Southwark response . This was a very long response. Below is just a selection of the points made.</p> <p>Major Works</p> <p>1. Failing to engage with residents in pre-planning There was an open evening in May 2009 and a leaseholders meeting in October 2009. Consultation processes have subsequently been reviewed with a leaseholder service improvement group and if this was a current scheme we would now set up a project team earlier in the project.</p> <p>2. Condition and Decent Homes report 2006 - contained factual errors - We accepted that there was no asphalt on the walkways or balconies and these were kept in the bill as only estimated charges. Attempts were made to access properties and TRA's would not usually be involved in this aspect.</p> <p>3. Survey for electrical work It has been acknowledged by Southwark that an error was made here and this has been apologised for. Better value was obtained as the additional works were price tested and cheaper rates obtained than the original tendered rate.</p> <p>5. No record of works previously carried out to the block It has to be accepted that Southwark's building plan records are not perfect, but we are currently looking to update information using IT more useful as part of the new electronic management of documents system. It is accepted some earlier sets of minutes were not as well laid out as they could have been and this was improved in later minutes of meetings.</p> <p>9. Digital aerials This was an entirely separate contract with separate contractors and nothing to do with the Decent Homes work.</p> <p>11. Communication failures In general adequate information was provided on details of works. There were some individual circumstances where the contractor did not meet the required standards however and this is an area we are working with all our current partner contractors to improve.</p> <p>12. Fees There has not been a lack of competence in the overall management of this scheme. Where errors were made they were rectified. The professional costs charged are reasonable and usual for a scheme of this nature.</p> <p>13. Snagging Works The flooring in the lobby is still outstanding and the contractor is being pursued on this and the only other long standing item is minor paint splashes and these will be picked up at the end of defects. As new defects are reported these are recorded and either dealt with</p>		

Address	Brief Description of problems and HO&TMI/Major Works response	Date	Scrutiny Sub Committee Comments
	immediately or they will be picked up at the end of the defects period.		

Interviews with Staff from the Home Ownership and Tenant Management Initiatives Division (HO&TMI)

6.1 On 7 October 2011 the Chair of the scrutiny sub-committee and the Scrutiny Project Manager with responsibility for the sub-committee (Karen Harris) conducted a series of interviews with nine members of staff from the Home Ownership and Tenant Management Initiatives division. The aim of these interviews was to gain a greater understanding of the work of the HO&TMI division and to find out from staff where they thought there were weaknesses in the leaseholder charging system and how these might be addressed.

6.2 In order to make the interviews as open, honest and constructive as possible it was agreed that views expressed would not be made individually attributable. The sub-committee would like to thank all the staff who gave up their time to be interviewed. The interviews were extremely helpful in forming the conclusions of this report. Below is a list of job titles of the staff interviewed:

Revenue and Income Manager
Service Charge Construction Manager
Revenue Service Charges Accountant
Revenue Service Charges Finance Officer
Capital Works Officer x2
Capital Collections Officer x2
Revenue Collections Officer

6.3 One of the key themes to come out of the interviews was the view that many of the problems which relate to leaseholder charging arise due to staff delivering services on behalf of housing management not appreciating how their actions impact on leaseholders. One interviewee summed this view up by saying, "Nine out of ten times, problems start because of the provision of services from Housing Management." The same interviewee went on to say that part of the problem arises from the large gap between leaseholders receiving their estimated service charge and then getting the actual service charge bill. This period is usually up to 18 months. Because of this long gap it can be very difficult sometimes to prove that work has actually taken place. This is made doubly difficult because staff in the repairs service and district heating (these two services were singled out) often do not notify HOU& TMI in enough detail of works which have been carried out.

6.4 One officer suggested that a solution to this might be to create a system of on-going updates on repairs and major works being done on an estate being put online. Leaseholders would then have a better understanding of the works being carried out on their estates. It would also help them to challenge incomplete or poor quality work. As the officer put it, "In leaseholders we have a highly motivated group of people who want more information about the services they are helping to pay for. Why not get more of their input to help improve the service?" The officer went on to say that implementing such a system would be realistic and would not require a large investment of additional resources. The BAR system (see section below) could help the council achieve this. This suggestion is addressed in the recommendations at the end of this report.

6.5 Other officers continued on this theme and emphasised the huge potential for more online servicing instead of using paper and telephone communication.

6.6 Another strongly held opinion was that the council's "iworld system" was not fit for purpose for service charging and leaseholder charging generally. iworld is the council's repairs and maintenance IT system that records which works have been carried out and where. The officer commented that when it was introduced there was very little training or preparation for staff on how to use it and, in particular, how it should be utilised to charge leaseholders accurately and efficiently. Incredibly, the system does not allow repairs and major works to be itemised on individual leaseholder accounts. As the officer put it, "It's just a list of transactions, but doesn't allow us to

consolidate.” It is these weaknesses in the iworld system which have led to the BAR system being developed. More detail about this system is in the next section. It is scheduled to come online in April 2012.

- 6.7** During the interviews the chair of the sub-committee asked staff about the possibility of making changes to the system of charging people for making requests to make changes to their property. Councillor Fiona Colley had previously raised this issue with the chair during the initial consultation phase of this scrutiny. Councillor Colley gave the example of a resident of her ward who had been charged a £193 flat rate fee simply for making a request to install a Sky TV system in (and on) her home. Simply for making the request (which was refused) she had to pay the council £193. The resident lives in a street property, not on an estate, so there was no need to consider other residents or the general look of the estate. Councillor Colley gave her opinion that this charge seemed over the top given the minimal amount of time and effort that council officers would presumably have had to expend to make this decision. The chair put a suggestion to a senior member of staff that perhaps a two-tier system for administration charges of this type could be introduced – a smaller charge for minor requests which take up very small amounts of council resources and a slightly higher fee for requests to make more substantial changes. The officer agreed that such a system was feasible and could be delivered. This suggestion is addressed in the recommendations at the end of this report.
- 6.8** Another officer gave the opinion that there was a general and on-going problem with poor quality work from contractors. They believed much more could be done to hold the contractors to account. As the officer put it, “All too often the contractor is getting paid twice. Once for doing the job badly and again for finishing it off.” The sub-committee strongly believes that Southwark must be much tougher in its handling of repairs and maintenance contractors. This is addressed in the recommendations at the end of this report.
- 6.9** The same officer gave their view that too often there is a loss to the Housing Revenue Account when properly incurred costs cannot be recharged to leaseholders. The reason this happens is because the Home Ownership and Tenant Management Initiatives division is sometimes not informed about repairs the cost of which go above the statutory consultation limit and so cannot carry out the Section 20 consultation with leaseholders. They said that three years ago anything up to £1 million a year was being lost to the HRA because HO&TMI was not being informed. This has got better recently (around £200,000 to £300,000 a year) but it still happens. They said, “The officers who do this have all been trained, so I don’t know why they fail to inform us.”
- 6.10** Two separate officers raised the issue of the monthly lump-sum payments made to repairs contracts as a result of the contracts which the council set up with SBS and Morrison in 2009. One said this leads to confusion because iworld says that a repair may have cost £300, but the real cost to the council has been £450, because of the monthly lump sum payments. These payments also act as another disincentive for the contractors to “. . . get their act together”. The officer went on to say that before the contracts were signed HO&TMI warned senior officers involved in the signing of the contracts that the lump sum “on costs” would cause significant problems. He said, “We told them ‘please don’t do this, it is going to cause incredible problems for leaseholders.’ But they did it anyway.”
- 6.11** Another officer discussed the issue of emergency repairs. They said it was “fair enough” that HO&TMI weren’t given enough prior notice of emergency repairs because, by their very nature, there was little time to prepare for them. The officer thought that the LVT could give exemptions to emergency repairs.
- 6.12** It is also clear from the interviews that the ability for leaseholders to “drop in” to the office is highly valued.

Interview with Head of Home Ownership and Tenant Management Initiatives

- 7.1 On 11 October 2011 the sub-committee interviewed the Head of Home Ownership and Tenant Management Initiatives, Martin Green. Sub-committee members questioned Martin Green on a range of issues relating to leaseholder charges. The main issues to come out of the interview are as follows.
- 7.2 One idea which arose during the discussion was that of Southwark implementing a new payment option in relation to service and major works charges, namely a “fixed service charge”. This is how Martin Green described how a fixed service charge could work:
- 7.3 Southwark would use its knowledge of the costs it would be incurring to provide services to leaseholders and would calculate a fixed average service charge which would be uprated by RPI inflation each year. To this could be added a unit management charge and a charge to reflect major works costs. This would give the leaseholders certainty by knowing in advance what their liabilities would be. They would not be surprised by a sudden increase in fuel costs or worried by a major repair job. For the landlord there is some payback for accepting some of the risk. The management of fixed service charges is far simpler to manage. The introduction of fixed service charges has to be seen as cost neutral to the HRA; otherwise tenants will complain that their rents are subsidising the leaseholders. Thus the ‘initial fixed service charge’ must be set at a level that will recover costs over time, leveling out extraordinarily expensive expenditure in any one year. Having a fixed service charge would be offered as an option to all Southwark Leaseholders. Those who wished to take up this option would have to agree to have their leases changed to take account of the new fixed charge.
- 7.4 Martin Green was asked by the chair if he thought the introduction of fixed service charges would be a) legal and b) be financially sensible for the council. Martin Green responded “Yes and yes”. He went on to say that we should seek counsel’s opinion in order to confirm the legal situation. The chair was aware that previous advice had been sought but took the view that the cabinet member/director should revisit the question to see whether any difficulties could be overcome.
- 7.5 The issue of incomplete and poor quality repairs was raised. Both Martin Green and Gerri Scott (Strategic Director of Housing, who was also present) emphasised the need for Southwark to be much tougher in holding the contractors to account. Gerri Scott said that the number of defaults on repairs had substantially increased in recent months as a result of this new approach.
- 7.6 Martin Green was asked by one sub-committee member: “Do you consider yourself to be the champion of leaseholders. He responded by saying “I see it as my role to ensure that charges made are accurate. I walk a very narrow line.”
- 7.7 Following the discussion about fixed service charges during the interview with Martin Green, the sub-committee requested a briefing note from the Head of Home Ownership which would set out the justification for introducing this as an option for leaseholders. The briefing received is set out below.

Briefing Note: Different Basis for Service Charges

Southwark’s service charges are (like all modern service charges) ‘variable’ service charges. This means that they increase or decrease each year in line with the expenditure incurred by the landlord. So, for example, if a landlord incurs a high level of expenditure in a year on repairs, hopefully the following year expenditure would decrease and with it, the level of service charges.

However, variable service charges are a fairly modern device only having been introduced in the mid 1960’s primarily to protect landlords from the effects of high inflation. In earlier leases it was common for the service charges to be ‘fixed’ service charges i.e. they bore no relationship to the

cost of the landlord carrying out the services in any particular year. For example a lease could contain service charge covenants which oblige the landlord to carry out a specified range of services (repairs, cleaning, grounds maintenance, buildings insurance etc) and for the leaseholder to pay, say £1000 pa plus (compound) inflation linked to the Retail Price Index or a Building Cost Index. These 'fixed' service charge arrangements fell into disuse as the cost of services outstripped the RPI and left the landlord having to meet the cost of their contractual commitment to provide services out of their own pocket.

The problem with variable service charges for leaseholders (and indeed the reason that variable service charges were devised) is that the leaseholders bear all the risk. So, for example, should the lift be older and constantly failing, the leaseholder will pay more in responsive repairs but get a poorer service. Should the lift be renewed, the leaseholder will pay for the cost of a new lift. Should the landlord decide on a higher standard of cleaning, the leaseholder will see an increased service charge demand. Should fuel costs rise above inflation, again the leaseholder will see higher service charges. The concept of variable service charges was developed in the private sector where the only income for the landlord is the service charge and therefore it must cover the cost of providing the service.

However in the public sector, landlords have other sources of income and a local authority landlord could decide to share the risk with its leaseholders by charging a fixed service charge.

In Southwark we have enough cost history to be able to calculate an average service charge (be it an average for a service; an average for a block or a block type etc.). To this could be added a unit management charge and a charge to reflect major works costs. This 'initial fixed service charge' for the flat would then be subject to inflation.

The methodology would give the leaseholders certainty - they would know in advance what their liabilities will be. They would not be surprised by a sudden increase in fuel costs or worried by a major repair job.

For the landlord there is some payback for accepting some of the risk. The management of fixed service charges is fair simpler to manage : fixed service charges are not covered by sections 18 – 30 Landlord and Tenant Act 1985 and therefore section 20 consultation does not apply ; neither does the 'reasonableness' of the service charge or application to the Leaseholder Valuation Tribunal.

It has to be stressed that the introduction of fixed service charges has to be seen as 'cost neutral' to the HRA; otherwise tenants will complain that their rents are subsidising the leaseholders. Thus the 'initial fixed service charge' must be set at a level that will recover costs over time, levelling out extraordinarily expensive expenditure in any one year.

Finally the implementation if this suggestion is carried forward, fixed service charges cannot be 'imposed' on existing leaseholders who have variable service charge covenants in their leases. We could offer the alternative to leaseholders which would be dealt with by a variation to their lease. Leaseholders would have to get their own independent legal advice and it would have to be made clear that there would be no opportunity to 'switch back' to variable service charge regime e.g. after major works were carried out.

If the proposal were to go forward a formal IDM/Cabinet policy paper would need to be put together which would incorporate legal and finance comments.

The Billing and Accounts Receivable (BAR) Project

- 8.1** During staff interviews and discussions with officers at the sub-committee meetings it has become clear that the Billing and Accounts Receivable Project is a very significant development for leaseholder charging in Southwark. The information that follows was garnered via discussion with officers and requested written evidence.
- 8.2** Homeowners receive service charges covering their share of the costs incurred by the landlord in managing, maintaining and repairing the structure and communal areas of the block or estate of which the property forms a part, as well as separate charges in relation to major works. Home Ownership Tenant Management Initiatives Division (HO&TMI) use a variety of non-integrated I.T. applications and semi-manual processes for producing bills and managing accounts receivable.
- 8.3** There are limitations with the current process, specifically:
- Due to the lack of an integrated system there is a substantial amount of manual interaction required in monitoring and updating accounts receivable, which is both time consuming and leaves scope for human error where accounts are not properly checked or revised.
 - The systems are inadequate in being unable to automatically provide comprehensive statements that encompass all related accounts and full details of all transactions over a given period.
 - It is not possible to allocate payments against individual invoices.
 - The Grant Thornton audit (see next section) highlighted issues with the robustness of current systems.
- 8.4** The aim of the BAR project is to procure and implement a Billing and Accounts Receivable (BAR) software system which will overcome the limitations identified above. The scope of the project will cover the procurement and implementation of software that will improve the billing and accounts receivable systems. However, at present this will not encompass changes in the current methods used to construct service charges or impact on other services in HO&TMI.
- 8.5** There a number of benefits that a satisfactory and properly implemented system would provide:
1. There would be technical improvements which would improve account management, such as automated invoice production, comprehensive account reporting, and the ability to allocate payments to line items on accounts to facilitate aged debt analysis.
 2. A fully integrated system that reduces reliance on independent applications and regular manual interaction should reduce the risk of human error and minimise potential I.T. system problems.
 3. Functioning effectively, the system will reduce customer query response times, save staff time and improve customer service delivery and satisfaction levels.
- 8.6** It is essential that the system is fully implemented, tested, signed off and staff fully trained before 31 March 2012, so as to go live on 1 April 2012. The procured system must work in conjunction with the council portal and current interface (Citrix), and any relevant systems.

Table 8 – BAR Project Approach / Milestones

Actions required	Duration	Start Date	Original Target Completion Date
Product Installation	124 days	4/4/2011	30/11/11
Bespoke Software	72 days	2/6/2011	12/9/2011
Training	137 days	7/7/2011	24/01/12
Testing	83 days	30/08/11	28/10/11
User Acceptance Testing	46 days	17/10/11	22/12/11
Live Migration	83 days	2/12/2011	4/4/2012
Go-Live	48 Days	1/2/2012	6/4/2012

- 8.7** The criteria used to determine if the project has been a success or not includes a significant reduction in the amount of time it takes to respond to queries relating to charges and an increase in leaseholder satisfaction as measured through the leaseholder survey.
- 8.8** Officers have made strong progress on this project. The new software is currently being tested and officers are confident that this will enable the project to go live in April 2012. Staff training and further communications with Home Owners' Council will follow January/February 2012.
- 8.9** In summary, the new system will enable the council to bill in a much clearer way by using invoice-based accounting, in line with the recommendations of the 2009 independent audit of service charges. Payments may be allocated against individual invoices: this will help clarify exactly which year's charges are being paid. It will also enable our staff to easily produce statements, copies of invoices, and other account information on demand – making things clearer, quicker and simpler for everyone.

Implementation of Recommendations from the Grant Thornton Report

- 10.1** In 2006, Southwark council responded to leaseholder concerns over the accuracy of their service charges by commissioning a firm of consultants (Grant Thornton) to commission an independent audit. The review began in April 2008 and its findings were presented to the Home Owners' Council on 7 September 2009. Grant Thornton found that systems and processes within the council needed to be improved if they were to meet the demands of delivering clear and consistent service charge bills to a large leaseholder population. However, it should be noted that the audit included testing a random sample of service charges – the audit showed no errors in the calculation of the service charges. The audit indicated that resolution to problems encountered by leaseholders fell outside HOU.
- 10.2** The report contains seventeen recommendations including a review of systems for recording and allocating costs; a review of procurement and contract management procedures and improvements to the quality of information provided to leaseholders. Since the publication of the report an action

plan has been put in place to address and implement the recommendations. The joint steering group continues to meet on a quarterly basis to monitor the progress of implementation.

10.3 As part of this scrutiny process the sub-committee requested a written summary from officers on the implementation of each of the recommendations.

10.4 From this summary and subsequent questioning of officers it is clear that there has been good progress in implementing most of the recommendations. Table 9 below shows the progress which has been made.

Table 9 - Summary of the implementation of recommendations from the Grant Thornton Report

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
Workstream 1 - CORE BUSINESS SYSTEMS							
2a & b	<p>HRA accounting principle: Consider adopting an accounting principle to</p> <ul style="list-style-type: none"> a) hold costs at estate/block level wherever possible b) split costs as chargeable/non-chargeable 	<p>Each relevant budget holder to be instructed that their actual service chargeable spend is reconciled to block and estate definitions supplied by HO. To be reminded that they will be required to sign off accounts at year end. Also that service chargeable budgets (estimates) should also be held at block/estate level. All expenditure/budget to be split (where applicable) between service chargeable (reconciled to block/estate) and non-service chargeable.</p>	Tbc	D Whitfield	Amber	Project Accountant now assigned by Ian Young to undertake this task.	<p>The Council's current IT systems cannot support this and there remains a requirement to manipulate data derived from SAP and IWorld. However progress has been made in defining a number of the major services at block and estate level, eg. estate cleaning, grounds maintenance, pest control, arboricultural services. An IT solution remains a "long-term goal" for the Council but in the meantime it is proceeding with the new AR system (see line 3).</p>

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
2d e & f	<p>Financial systems:</p> <p>a) Establish detailed requirements for reporting at estate/block level and coding chargeable/non-chargeable work in consultation with relevant depts including HOU & Hsg Management</p> <p>b) Review capability of SAP/other systems to meet this requirement Project Plan: Establish a plan and target dates for implementation of revised accounting processes and systems</p>	<p>Priorities</p> <p>Cleaning (complete) Grounds Maintenance (virtually complete) Electricity (virtually complete) Bulk Refuse (virtually complete) Heating (virtually complete) Lifts (complete) Pest Control (virtually complete) Arboriculture (complete) Repairs (not complete) - Service chargeable v non-service chargeable (split into rechargeables, individuals and insurance) - Block/estate - Descriptions</p> <p>Others tbc</p>	1st 5 Complete Meeting scheduled for May 10	D Whitfield/M Green/M O'Brien	Green - on track	Billing and AR system only proceeding. Target implementation by 31/3/12	On programme to meet implementation date of 31/3/12
2c	<p>Management:</p> <p>Establish clear responsibility for ensuring the accuracy of cost recording within HRA (not to be the HOU)</p>	Budget holders to reconcile and sign off spend	Tbc	J Seeley/I Young	Amber	See line 2	See line 2

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
10	<p>Formal service charge account sign-off Establish a formal procedure to sign off the annual service charge accounts to:</p> <p>a) reconcile chargeable and non-chargeable sums to the total costs within HRA and individual service areas; b) identify/explain variances from previous years; c) state chargeable and non-chargeable overheads. Account to be prepared and verified by HOU Manager for approval by Finance Director prior to the issuing of the annual service charge bill</p>	<p>Section 152 of CLRA 2002 no longer due to be implemented.</p> <p>Financial process to be agreed. HO will reconcile service chargeable and non-service chargeable total sums within the HRA and individual service areas to expenditure in SAP. HO will identify variances from previous years and will give explanations supplied by budget holders (and will state if explanations not provided). HO will state overall overheads examined and element charged.</p>	<p>Trial sign offs 2010/12 Full implementation 2011/12</p>	<p>M Green/I Young</p>	<p>Amber</p>	<p>See line 2</p>	<p>Template is now being prepared for this with the intention of implementing it on a trial basis for 2010/11 service charge accounts.</p>
Workstream 2 - PROCUREMENT							
1	<p>Existing contracts: Review existing contracts to assess where contractors can be required to invoice on an estate and block basis. Use reasonable endeavours to establish charging by suppliers, including in-house suppliers, on an estate/block basis</p>	<p>Individual service areas are identified below:</p>					
		Block and estate cleaning					
		Cost allocation based on time spent on estates		I Smith			
		Refuse systems - mapping complete		L Turff			
		Pest control - actual time and costs identified against each block		I Smith			

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
		Grounds maintenance					
		Cost allocation based on time spent on estates		I Smith M Green			
		Arboriculture - map trees on to GIS; correlate to actual costs		H Thompson/J Tinker			
		Reactive repairs					
		Current contract has this as a standard requirement REVISED LBS ICT system provides contractor information by estate/block.		Mike Green			
		Heating and hot water					
		Current contract has this as a standard requirement REVISED LBS ICT system provides contractor information by estate/block.		Mike Green			
		Heating & hot water repairs - asset register on I-World with dwellings supplied by plant rooms. Gas meters read monthly		C Baxter			
		Water tanks; water pumps; lightning conductors - asset register complete and included in heating (ECON) contract with serviced dwellings identified		C Baxter			
		Lifts					
		Current contract has this as a standard requirement REVISED LBS ICT system provides contractor information by estate/block.		M Green			
		Estate lighting					
		Electricity - meter survey underway		B Fiddick			
		Estate lighting - engineers to correctly identify works against		C Baxter			

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
		blocks/estates					
		TV aerials					
		Communal TV aerials - asset register and cost allocation		C Baxter			
		Door entry					
		Door entry asset register complete		C Baxter			
		CCTV					
		Asset register- corporate project		Jonathon Toy	Green - Complete	JT confirmed to complete by 8/4/11	
		Other:					
		Dry risers - asset register complete		C Baxter			
		Fire protection - current Fire Risk Assessment identifying and upgrading assets; follow on exercise to update asset register and Iworld		C Baxter			
3a	Contract specification: Develop contract specification and invoicing requirements to define costs as estate/block & chargeable/non-chargeable as a standard requirement for all future procurement for housing repairs and maintenance, in consultation with HOU and Housing Management	Departmental procurement team (with HOU/Legal) to develop standard contract terms		Mike Green	Amber	Awaiting response from Mike Green	Unclear if this is in place but see line 37 below.

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
3b	Internal consultation process for procurement: Ensure HOU is consulted on the terms of all contracts which will result in a leaseholder recharge to ensure that the contract meets the agreed Council requirement for service delivery and accounting for leaseholder charges	HOU consultation stage at Gateway 1 stage (authority to procure contract). Monthly joint Housing Management & HOU meeting to reconcile repair orders and to validate costs to actualise leaseholder bills.		L Turff, D Hollas			All Housing related contract reports now go to the Departmental Contracts Review Board (DOH and Heads of Service) and include commentary from the Head of Home Ownership. This should pick up leaseholder related issues but the Council will also need to consider how this applies to any new internal SLAs.
Workstream 3 - DATA QUALITY							
	Improve data quality on I-World						
	Review I-World templates and instructions to staff on data input, in consultation with HOU & Hsg Management, and identify any revisions or training requirements	Review I-World template and staff instructions	Mar-11	C O'Mahoney		Data input subject to monthly review meetings with HOU/R&M staff and staff instructions/training identified as necessary	
		Baseline data required to measure performance. Performance indicators to include % increase in unitemised bill elements identifiable and % reduction in error rate	Mar-11	C O'Mahoney	Amber		See separate HOU report on agenda - Baseline data from 2010/11 now available; since April 2011 some improvements but there appear to be remaining issues re S20s and orders raised under general heading of "estate action" days

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
		Provide training to key area, contractor and technical staff sustained by network of staff 'super users'.	Mar 11- Review Sept 11	C O'Mahoney		Revised business rules issued; training sessions with technical officers and communal repairs team held on 10/3/11	Some further training requirements identified - see above.
		100% desk top financial check of communal repairs. Agree target % decrease in overbooking costs.	Mar 11- Review Sept 11	Gavin Duncumb (Commercial Team)	Amber	100% desk top checks underway; 8-10% physical checks; trends in valuing accounts being reported and monitored	April-Aug11 report: - 17.5% of communal repairs inspected - 8.4% failure rate - separate commercial team review resulted in c. £235k savings on communal reps
		Quality checks of data input by contractors & technical officers.	Mar 11- Review Sept 11	C O'Mahoney	Amber	Quality issues reported to HOU/R&M meetings for action	- Commercial Team review - see above - HOU/Housing Management mtgs to reconcile repair bills are now quarterly; monthly reconciliation of repairs not yet in place
		New Performance Manager post to include data quality monitoring.	Mar-11	F Morath (Performance Team)			
5	Incorporate monthly checking to ensure that appropriate and accurate coding and job descriptions are used	Monthly quality checking on ordering-coding and job descriptions	Mar-11	F Morath (Performance team)	Amber		Monthly review not yet established see also line 44

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
6	Review I-World processes to flag and record operator responses on works: a) covered by warranties b) covered by insurance c) in excess of the £250 per unit S20 threshold d) which are directly chargeable to the tenant/leaseholder	ICT Project interface Apex (database holding stock condition survey data) with I World. ICT fix to prevent orders being raised on flagged jobs (eg warranted work)	Mar 11- CHANGE Sept-11	C O'Mahoney	Amber		Flags available within Iworld system; not all data re. warranties has been entered
		List of insurable jobs (eg glazing, fencing, walls- external/internal). CSC Script - works order to be flagged 'insurance'.	Mar 11- CHANGE Sept-11	Christian O'Mahoney			
		Flags (pop up/auto set) for a) major works guarantees eg heating, roofs, windows b) R&M new installation guaranteed work	Mar 11- CHANGE Sept-11	C O'Mahoney	Amber		Comments as above
		Scope base data for existing roofing and heating system warranties and business rules for managing through I World & Apex . Agree cash targets for reducing orders on warranted work.	Mar 11- CHANGE Sept-11	C Baxter	Amber	Work underway to identify historic warranted work to load on to database	Business rules on use and maintenance of guarantees not yet established
		Legal advice required re recovery of costs from contractor	Nov-10	G Duncumb	N/A		
		Monthly report on reconciliation of repairs and charges report on all repairs with breakdown to estates, blocks and by type	Mar-11	C O'Mahoney	Amber		Monthly reviews not yet established - see also line 41
	Pre- and post-inspections						
7a	Implement a system to retain properly referenced records of pre-and post-inspections for six years from year end	Record system to be embedded into pre and post inspection process	Mar-11	C O'Mahoney	Complete		

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
7b	Implement an annual audit of pre- and post- inspections and identify and address any failures	Annual audit to be imbedded into pre and post inspection process with quantitative and qualitative hard targets for outcomes including grading system for quality of repairs and decrease in defects.	Mar-11	C O'Mahoney	Complete		- Analysis of trends included in comments above - Commercial Team to work with Tech. officers to highlight key issues on post inspections
Workstream 4 - PERFORMANCE MANAGEMENT							
12a	Lifts, BeServe, R&M contract terms Review current provisions in the Lifts, BeServe and R&M contracts for remedying poor performance with a view to introducing provisions that escalate from warnings through penalties to termination	Current contracts for Lifts, heating and R&M have these requirements		C O'Mahoney/C Baxter			
12b	Integrated Cleaning Contract terms Review the provisions within the Integrated Cleaning Contract (ICC) to consider how to link performance measures with payment mechanisms (e.g. the provisions under the Output Specification for Facilities Management under PFI may be a useful model)	Strategic review of client function to include system development to capture performance and link poor performance (set standards) to financial penalties and adjustment to service charges	Mar-11	M O'Brien/Ian Smith/Guy Valentine-Neale	Amber		System of rectification notices and penalties drafted but not yet implemented
		Agree performance report with Southwark Cleaning Services for existing service level agreement	Mar-11	M O'Brien/Ian Smith/Guy Valentine-Neale	Complete		

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
		Contract management to be enhanced through a new commercial team focusing on cost control	Mar-11	M O'Brien	Complete		
12b	ICC standards Publish performance standards for cleaning and grounds maintenance to residents	System to be developed to capture and publish performance information following strategic review.	Mar-11	M O'Brien/Ian Smith/Guy Valentine-Neale	Amber	Performance standards published on Council website and within tenancy agreement; to be part of new Leaseholder Welcome pack and updated Home Owners' Guide	Draft performance standards included in Welcome pack; and in revised Home Owners guide when published; HOU to clarify status of performance standards (draft/agreed)
	Repairs and Maintenance error levels						
13	Review the reasons for the consistent error level reported by Potter Raper in their sampling of the responsive repairs contract works since 2002	More resources allocated for pre- and post inspection - currently 100% desktop checks; target of 500 post inspections communal repairs per month increasing to 1000 in 2010	Mar-11	C O'Mahoney	Green - complete	Commercial team completed contract valuations back to Jan 2010 and will be valuing contracts back to June 2009.	
14	Monitor potential over-charging from individual contractors and consider how to improve the effectiveness of contractors performance and enforce appropriate contract conditions	Post inspection process will highlight overcharging and escalation to recover. Establish baseline of error rate and set targets for reduction.	Mar-11	Christian O'Mahoney	Green - complete	See above - data being compiled on monthly recovery against different contractors.	See line 47 above - data compiled on monthly recovery against different contractors.
Workstream 5 - VALUE FOR MONEY							

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
11b	Cleaning services VfM Review services delivered under the Integrated Cleaning Contract (ICC) in relation to housing estates against current and appropriate cost and quality bench-marking standards	Strategic review of client function to include development of cost and quality matrix (see point 50 above)	Nov-10	M O'Brien	Complete	HQN benchmark report complete. Should feed into line 50 above.	
15	Cost monitoring & control.						
15a	<i>Process</i> Establish a procedure by which estate/block costs are reviewed on at least an annual basis and an action plan to address abnormally high costs is agreed by senior management.	Test proposed methodology through sample check of top 10 blocks by trade/item on an exception basis ie QS to check all orders above £2500 + heating and fuel certificates + trade by trade analysis + repeat orders. Contracts to include R&M, Heating, BServe, Lifts . Review in the context of new PPM strategy (Potter Raper Partnership)	Mar 11- CHANGE to May-11 (to allow a year)	D Lewis/ C O'Mahoney	Amber	Aimie dashboard to go live April 11 and form basis of analysis & reporting to management.	Aimee went live June 11; being used to identify blocks with high repairs costs; not yet part of formal management reporting
15b	<i>Benchmarks</i> Establish benchmarks to define what constitutes a reasonable cost for specific services and, where appropriate, identify actions that will be taken to reduce costs to this level	Cost benchmarking matrix to be developed for agreed service areas- subject to consultation with leasehold audit PSG.	Nov-11	Guy Valentine- Neale	Amber	Linked to analysis for line 60 above, and subsequent identification of any additional benchmark reports required.	See comment in line 60 above
15c	<i>Responsibility</i> Ensure that primary responsibility for cost monitoring and improving planning and implementation rests within Housing Management and not the HOU	Commercial manager post created in new Asset Management & Investment Planning business unit in housing management with primary responsibility for cost control across repairs, engineering and compliance and investment supported by interim quantity surveying service.	Jul-10	D Hollas			

Workstream 6 - COST ALLOCATION

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
8	Credit notes a) Ensure that credit notes are credited against the relevant works order b) ensure that this action is recorded as part of the works order audit trail	Embed process to upload credit notes and check through quantity surveying team.	Sep-10	C Baxter			
11a	Move away from use of borough wide averages Southwark Cleaning Services (SCS) to price works and invoice on a block/estate basis	Code costs to individual estates/blocks. Monthly listing of ad hoc works from SCS to HM.		I Smith			
17	Overheads Review the calculation of overheads and include its assessment of overhead costs in the annual reconciliation of the service charge account by the FD, so that a clear rationale is presented for the inclusion or exclusion of costs	E mail	Mar-11	I Young	Amber	Project Accountant assigned within HOU to undertake this task	Underway - work to date has identified additional overheads of £200k to be charged in 2010/11 (c. £16 per leaseholder)
Workstream 7 - LEASEHOLDER INFORMATION							
9a	Account statements Identify the exact reason to adjustments to bills within the account statement and retain supporting documentation on leaseholder's file			D Whitfield	Green - on track as part of new billing system to be introduced by April 12	See line 3	See line 3

Rec. No.	Recommendation	Actions	Due date	Officer	GT status Oct 11	GT comments 20 April 2011	GT comments Oct 2011
9b	Invoices Ensure that each invoice has a unique reference number			D Whitfield	Green - on track as part of new billing system to be introduced by April 12	Seeline 3	See line 3

Part 3 – Conclusions and Recommendations

Conclusions

1. There is no evidence to suggest that revenue service charges in Southwark are excessive. When compared to other London boroughs, Southwark is generally speaking a middle ranking authority in terms of the level of its services charges.
2. Casework suggests that the council is not using the defects liability period aggressively enough to pursue contractors to remedy incomplete or sub-standard works.
3. Based on evidence from the complaints and members enquiries system, Homeowners' Council, staff interviews and the Homeowners Survey the sub-committee does not believe that there is a general problem with the standard of customer service being provided by staff in the Home Ownership and Tenant Management Initiatives division. Complaints and MEs tend to track the overall numbers submitted across the council. The Homeowners survey shows much higher levels of satisfaction for services directly provided by HO&TMI than for other areas. For example 71% of leaseholders feel that the council is good at keeping them informed about things that affect them and 70% described their office as very or fairly helpful. In the context of the service being provided (i.e. charging leaseholders) these are relatively impressive results. They sit in stark contrast to the very low levels of satisfaction for issues such as value for money and the quality of works – services which are provided by the wider Housing department. Finally, the levels of knowledge and commitment demonstrated by HO&TMI staff during staff interviews were genuinely impressive. Staff at all levels appeared to have a strong understanding of their roles and responsibilities and were well motivated to provide a good service to leaseholders.
4. It is important that leaseholders, officers and councillors alike appreciate that those who bill service charges, do not provide the services. As a result there is a disconnect between officers providing communal services and the leaseholders. Most large local authorities share this organisational structure. Those doing the billing have a gap in their detailed knowledge about the communal service, how and why it is delivered, how it is procured, the alternatives and the problems. In the private sector a manager will manage a block/estate and be responsible for the running of the estate. The manager knows how the services are procured and pays for them. The manager sets and collects the service charges – there is a natural flow of authority and responsibility. Most local authorities have organised differently: managers manage services not properties. The sub-committee believes these fundamental issues need to be recognised in order for long-term improvements to be made.
5. The Homeowners' survey clearly shows that there is an ongoing problem with the value for money that leaseholders believe they are getting from their annual service charge. This can, only in part, be attributed to a lack of understanding among leaseholders about the services being provided for which they are charged. The three areas which are of most concern to leaseholders in terms of the quality of services being provided are: responsive repairs, security services and care and upkeep. The sub-committee is aware of a number of steps which have been taken over the last twelve months to make improvements to the repairs service. However, the sub-committee does consider the results of the homeowners' survey as yet more evidence of the poor quality of service being provided by contractors to Southwark residents. Clearly, very serious mistakes were made during the original procurement of the repairs service which led to the commencement of the contract with SBS and Morrisson in 2009. The sub-committee believes that leaseholders are, in all likelihood, correct in their belief that they are not getting value for money from the responsive repairs service. Like tenants, they are enduring the results of a service delivery model which is not fit for purpose.

6. According to officers, concerns about value for money in regard to major works have been recognised and will be addressed through “tighter specifications, reduced variation orders and stronger contract management.” The sub-committee believes this is the right approach. In particular a culture of constant vigilance towards contractors needs to be instilled among officers in the Housing Department. Southwark must no longer be seen as a “soft-touch” local authority which will accept poor quality or incomplete work.
7. Many of the problems which relate to leaseholder charging arise due to a lack of appreciation of leaseholder issues among staff delivering services on behalf of the Housing Department. For example, staff in the repairs service and district heating often do not notify HO & TMI in enough detail of works which have been carried out.
8. There is clearly a huge potential for more online servicing instead of using paper and telephone communication which will be assisted by the completion of the BAR Project. There should be an expansion of online servicing for leaseholders to make information more accessible and to make efficiency savings. Phase two of the BAR implementation (post April 2012) should investigate further the feasibility and timescales associated with a “self serve” option.
9. Leaseholders feel it is unfair to charge them a flat rate £193 fee for making requests to make minor changes to their properties. The current system raises anomalies which can be resolved by a two tier approach.
10. The sub-committee accepts that it would be sensible to offer leaseholders the option of a fixed service charge which incorporates both the annual services charge and major works service charges.

Recommendations

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 & 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 need 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.