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Appendix 3

Leasehold Project Steering Group (PSG) Update.

Background

In Autumn 2008 following a lengthy campaign from leaseholders and Tower Hamlets Leaseholders' Association, the Council agreed a Motion to commission an independent audit of leasehold service charges to ensure these were accurately calculated in accordance with best practice, and to ensure that the charges levied were fair, accurate and transparent.

A Project Steering Group (PSG) including leaseholders and cross-party Members was set up to oversee the audit. The PSG were responsible for drawing up the brief for the audit, and oversaw the procurement process, with leaseholder representatives and Councillors on the selection panel which appointed Beaver & Struthers.

Beaver & Struthers Audit.

The audit was conducted in early 2010, and an Action Plan containing 54 service recommendations was developed. A Leasehold Action Plan Working Group (LAPWG) was established, comprising leaseholders and THH/LBTH staff, which met regularly to monitor detailed progress against the action plan and recommend completions to PSG for sign-off.

THH carried out work to implement all of the recommendations, with a projected delivery date of March 2013. The PSG signed off 9 of the recommendations as completed, 15 recommendations were considered by PSG but not signed off, and 32 were completed but not yet considered by PSG.

PSG did not discuss or consider any of the outstanding recommendations after October 2012, as leaseholder members on the LAPWG disagreed with THH over changes to service charge calculations which were introduced in September 2012. The changes introduced were:

- a) to allocate all overheads to front line services (in line with best practice and with Beaver & Struthers' recommendations.)
- b) to charge Caretaking to blocks and estates based on time spent, again in line with Beaver & Struthers' recommendations.

Housing Quality Network review

The Council proposed to resolve this impasse by commissioning a further independent review to assess the progress made in implementing the 54 points of the action plan. This review was undertaken by Housing Quality Network and

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completed in February 2015. Again, leaseholder representatives from PSG were fully involved in the selection process to appoint HQN. The review found:-

- Good progress made on the B&S recommendations.
- Not all the recommendations ready for sign off.
- Evidence of improvements in the engagement structure.
- A wider range of opportunities offered to leaseholders.
- Increased leaseholder satisfaction.
- Relationships of THH and Tower Hamlets Council and PSG needed to improve.

Mazars Audit

This audit was commissioned by Mayor Rahman to look at –

- the on-going costs reduction process being undertaken by THH,
- ensure that the costs charged to leaseholders are statute and lease compliant, transparent, and good value.

This audit was completed in June 2014. The audit, based on sample testing, found that -

1. The calculation methodology used in 2011/12 and 2012/13 was lease compliant and accords with sound accounting practice.
2. No breaches of statute were noted.
3. The apportionment of costs based upon the GV method was sound and consistently applied across the various direct cost headings.

The findings of the HQN Review, the Mazars Audit support the actions of THH and the Council in the implementation of the action plan and the way in which service charges are apportioned and calculated.

2014 to present

A Council Motion was passed on 22nd January 2014 calling on the Mayor to:

- a) Explain why only 5 out of 54 of the recommendations arising from the B&S audit have so far been implemented;
- b) Explain why an 17 per cent “Overhead” has been introduced across most Heads of Charge;
- c) Justify the Service Level Agreements between LBTH and THH and explain what action is being taken to ensure best value;
- d) Instruct THH to publish a report detailing how the actions it has taken since October 2010 to achieve “savings” have resulted in reduced costs to council leaseholders and tenants.

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These matters were all covered in detail within the content of the HQN Review and the Mazars audit referred to above, however PSG has not met since April 2014 to conclude this matter.

A PDQM at Council on 26th November 2014 asking for an update on the action taken received a response from the then Lead Member for Housing indicating that both the review and audit are due to be reported to PSG and the recommendations will then be finalised and form the basis of service improvements. Again, the findings of the independent review and the audit report have yet to be reported to PSG, which has not met since April 2014 pending direction from the former Lead Member.