

# Report: independent audit of leasehold service charges

## Tower Hamlets Homes

JANUARY 2015

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## 1 The background and the brief

Following a campaign over a number of years from leaseholders and Tower Hamlets Leaseholders Association, Tower Hamlets Council agreed in autumn 2008 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. One of the main reasons for this audit was to provide a basis for rebuilding trust and confidence among leaseholders as the relationship between the Council and leaseholders had become difficult due to a number of issues including the level of service charges and how they were calculated, and the level of consultation and engagement with Tower Hamlets Leaseholders' Association.

From the recommendations of this, and other audits between 2008- 2010, and the work of the Leaseholder Service Improvement Group, a Leasehold Action Plan containing 54 service recommendations was developed. This provided Tower Hamlets Homes (the Council's arm's-length management organisation) and leaseholders with an agreed basis on which to improve the service provision to leaseholders.

In 2012, after 18 months of regular meetings between Tower Hamlets Homes (THH) and leaseholders, the relationship deteriorated significantly. Leaseholders felt that little progress had been made in addressing and implementing the original recommendations and that significant changes had been made by THH outside of the recognised forums. Additionally they felt that changes implemented by THH did not reflect the audit recommendations, and did not include the leaseholders' involvement in working parties on the issues and also THH reverted on previous signed-off actions, without formal notification and/or agreement of recognised forums. THH, however, stated that they had given due consideration to the original audit report and had implemented a significant number of the 54 recommendations.

In light of the above, Tower Hamlets Council agreed to conduct an independent review to assess progress of implementation of the Leasehold Action Plan. HQN was commissioned to undertake this review in September 2014.

The specific requirements of HQN's review were to:

- Provide an independent assessment of the original and agreed objectives and processes set out in the Leasehold Action Plan
- Explore the cause of the breakdown in the working relationship between Tower Hamlets Homes and Leaseholders that has led to a clearly unsatisfactory situation at present
- Make recommendations on establishing a constructive working relationship between leaseholders and Tower Hamlets Homes.

This report sets out our findings and recommendations.

## 2 Our approach

The review work took place between October and December 2014. It was conducted by HQN associates, Jackie Dickins and Emma Towler, who are specialists on leaseholder services, service charges and resident involvement. The work was divided into three stages:

### ***Stage one: fact finding and desktop study***

The first stage consisted of a fact finding meeting with all the key personnel to familiarise themselves with the current situation and to better understand the scope of the previous audit. This was followed by a desktop study reviewing core documents including:

- Beevers and Struthers report
- Sign off sheets
- THH action plan
- LBTH leases.

A full list of the documents which was supplied is provided in appendix one.

### ***Stage two: interviews with key staff, leaseholders and councillors***

The second stage involved an 'on-site' assessment. Jackie and Emma spent three days in total on site undertaking structured interviews with key staff who deal with service charges and are involved in delivering leaseholder services. Jackie and Emma also undertook face-to-face and telephone interviews with leaseholders and Councillor Khan, the portfolio holder for housing. The purpose of this on site work was to explore the progress made in implementing the recommendations made by Beevers and Struthers.

During the course of the review regular meetings were held with the Project Steering Group (three in total). These were used to explore issues with the Project Steering Group (PSG) as well as feedback and talk through findings. Three days were spent on site. A list of all of the people interviewed is provided in appendix two.

### ***Stage three: assessment and draft report***

In the final stage HQN analysed all the findings and prepared a draft report with recommendations. This was circulated for comment. A second draft of the report was produced which took the feedback received into consideration.

Throughout the review Jackie and Emma were looking for evidence of implementation and sign off, based on audit principles, triangulation of findings. There was a considerable amount of information to review and digest within the time allocated. Jackie and Emma did their best to delve as deeply as possible into each of the actions whilst at the same time exploring the relationships between the three parties – THH, Tower Hamlets council and PSG.

We believe that THH have been transparent and co-operative with this review and have made information available to us in an efficient and timely manner. We requested a variety of evidence from THH and challenged them during the interviews.

We understand that between the B&S and this review THH/LBTH commissioned an audit from Mazaars into service charges. We understand that this was a very in-depth and detailed review. We requested a copy of the report as we believe that it is very relevant to this review but understand that the report is still in draft format. Unfortunately, we have not had sight of the report and have been unable to take its findings into account. We believe that this report would have provided a very relevant reflection of the current position.

A report on the determination of a first tier tribunal was received on 14 December 2014 and made available to us in January 2015. This considered a number of matters which have direct relevance to this review. We have therefore taken its determinations on board in this second draft of the report. The key issues that the FTT determined in favour of THH were:

- Use of GRV as a method of apportionment – the FTT was of the view that using GRV as a method of apportionment is within the range of options that can properly be considered reasonable
- Apportionment of management charges – the FTT considered that THH provided a reasonable explanation about how it apportioned management charges and had allocated management charges in a careful and sensible manner.
- Charges – the FTT considered the amounts charged under the various heads of charge to be reasonable.

### 3 Overview of findings – progress against the action plan

In summary:

- At the start of the review during the first meeting with Emma and Jackie the PSG agreed that seven of the 54 recommendations had been implemented. Therefore HQN looked at the remaining 47 recommendations
- Of those 47 recommendations HQN found that:
  - 26 had been implemented
  - 16 had been partially implemented
  - Five had not been implemented.
- As a result of the review HQN made 23 recommendations for further action.

The detailed findings are set out in the table on the following pages. Each recommendation has been marked as:

- Implemented – recommended for sign off
- Partially implemented
- Not implemented

The detailed findings against each action point are set out in the following table. For ease of reference the actions which we recommend are ready for sign off are marked in green.

| THH AP ref                                    | Beever and Struthers recommendation   | Review findings    | Evidence, ie, the basis for our findings  | Comments   | Recommendations   |
|---|---|--------------------|---|--|---|
| <b>Review high cost of leasehold services</b> |   |                    |   |  |   |
| 1.1   | Audit Commission identified parts of the service as high cost and recommended that these should be reviewed.  | Implemented        | <p>A thorough review of service costs was carried out in 2011. The audited accounts for 2011/12 reflect the outcome of the review.</p> <p>The review looked at direct service costs such as horticulture/caretaking as well as the management costs.</p> <p>The audit commission had identified some costs that had not traditionally been charged to leaseholders, eg, ground floor flats had not been re-charged for cleaning costs of common parts or for lifts in blocks where they live. As from 2011/12 these are now being charged.</p> <p>As a result of the review THH are now able to identify indirect (back office costs) costs and these are reflected in the accounts sent to leaseholders.</p> | <p>In terms of management costs, benchmarking/comparison of these costs with other organisations can be of limited use as it is not always easy to make like for like comparisons.</p> <p>There is a trend towards organisations charging the 'actual' costs of management for management fees (rather than setting a management fee as a percentage of costs). This is the favoured approach of RICS/ARHM and the FTT.</p> <p>In December 2014 an FTT determination found that the management costs are reasonable.</p> | This action should be signed off as implemented.  |
| 1.2   | <p>Concierge service to be fully consulted with leaseholders to ensure the service is effective and delivers value for money.</p> <p>The new contract could produce a satisfactory service providing:</p> <p>a. There is close monitoring and supervision of the contractor</p> <p>b. Managers hold the contractor to account</p> | Partly implemented | <p>During 2011 THH procured a new contract which commenced in December 2013 and which provides savings of £44,000 per annum compared to the 2008/09 cost.</p> <p>Leaseholders were consulted about the specification prior to the contract being awarded:</p> <ul style="list-style-type: none"> <li>Formally by letter in line with Section 20</li> </ul>  | There is no question in the survey about satisfaction with the concierge service (this is provided to 4 blocks). Whilst this was not specifically included in the recommendations it is required in order to measure the quality of the service being delivered.   | Introduce a separate question asking about satisfaction with the concierge service for the blocks where this service is provided. |

| THH AP ref | Beever and Struthers recommendation   | Review findings       | Evidence, ie, the basis for our findings   | Comments   | Recommendations   |
|------------|---|-----------------------|--|--|---|
|            |   |                       | <ul style="list-style-type: none"> <li>Informally through face-to face-contact</li> </ul> <p>The environmental services service improvement group was involved in evaluation of the bids. The above is in line with best practice.</p> <p>September 2014 satisfaction survey results show that overall satisfaction has increased to 57% for block and estate cleaning from the previous level of 44%.</p> <p>Monthly performance and monitoring meetings take place with the contractor.</p>  |  |   |
| 1.3        | <p>Block and estate cleaning. THH needs to recognise this as a failing service. Therefore THH needs to undertake a fundamental review of the service. This will include a comparison of how this service is delivered in other ALMOs. This should also include consideration of outsourcing the service.</p> <p>1. Service improvement should be made:</p> <p>a. increased and more effective supervision</p> <p>b. timesheets to be introduced so that charge hands confirm the block/estate cleaning schedule has been carried out</p> <p>c. the frequency of stairs cleaning should increase</p> | Partially implemented | <p>During 2010 this service was reviewed. Two restructures have taken place – the first in 2010 and the second in 2013.</p> <p>September 2014 satisfaction information shows that satisfaction has increased from 44% in 2010/11 to 57% in 2012/13.</p> <p>The service charges team has a project planned for 2014/15 to consult with all residents on budgets and levels of repair spend in blocks.</p> <p>THH have examined the possibilities of outsourcing this service and concluded that this would not provide substantially better value for money.</p> <p>1 THH have introduced regular block inspections and 121s. 99%</p> | <p>This matter was considered by an FTT in December 2014. It considered the amounts charged under various s heads of charge in respect of previous years and considered them to be reasonable in the absence of a more persuasive challenge. It also noted that THH had been through an extensive process of consultation and market-testing of costs.</p> | <p>Include cleaning as a topic for feedback on the website.</p> |



| THH AP ref | Beever and Struthers recommendation   | Review findings | Evidence, ie, the basis for our findings  | Comments | Recommendations |
|------------|---|-----------------|---|----------|-----------------|
|            | <p>d. common part window cleaning should be introduced</p> <p>3. cleaning standards should be applied to individual blocks and not just estates</p> <p>f. the website should invite comments from residents of cleaning standards which should be acted upon</p> <p>2 Estate cleaning could be linked to the horticultural contract and thus separated from block cleaning. This will enable estate cleaning and gardening to be more integrated and will also increase the focus on block cleaning</p> <p>3. Leaseholders could be consulted as to whether they wish to be given the opportunity to self-clean their blocks and therefore not charged for cleaning</p> |                 | <p>of blocks receive a silver or gold service. All notice boards have a record of daily and weekly tasks.</p> <p>The biggest number of complaints were about not having the same operatives, agency staff issues and high levels of sickness. This has now improved:</p> <ul style="list-style-type: none"> <li>▪ A spreadsheet is maintained of all operatives' sickness status</li> <li>▪ 80 operatives had no sickness days in the last year</li> <li>▪ Operatives are given a £20 voucher for each six months with no sickness</li> <li>▪ Agency workers cover sickness periods of more than two weeks.</li> </ul> <p>A time sheet exercise was not carried out – this was conducted as a desktop exercise. THH did trial a timesheet exercise in one area but felt it provided limited value as they had no proof that staff were where they said they were.</p> <p>THH are now moving away from a strict allocation of time. They are adopting a less prescriptive approach – one which is more outcome based and gives operatives more flexibility and responsibility. The operative has the ability to spend the time which</p> |          |                 |

| THH AP ref | Beever and Struthers recommendation  | Review findings | Evidence, ie, the basis for our findings  | Comments | Recommendations   |
|------------|--|-----------------|---|----------|---|
|            |  |                 | <p>is required on a task in order to get the quality up to the required standard.</p> <p>A poor rating on a monthly survey triggers an email to the manager/team leader who will visit the area and speak to residents.</p> <p>THH maintain a 'lessons learnt' sheet for complaints.</p> <p>HQN was advised that residents can comment on cleaning on the website although this is via a general housing enquiry form. Cleaning is not specifically on the list of topics covered.</p> <p>2. Improved co-ordination between estate cleaning and horticulture has been implemented - for example litter picking is carried out just before grass cutting. THH did look at separating it out but concluded it wasn't sensible to do so.</p> <p>3. Blocks with 100% leaseholders were consulted on whether they wanted to take on the cleaning themselves. One block decided to take it on themselves.</p> |          |   |
| 1.4        | <p>The renegotiated horticulture contract could produce a satisfactory service providing:</p> <p>a. There is close monitoring and supervision of the contractor</p> <p>b. The empowerment of middle managers to hold the contractor to</p> | Implemented     | <p>The contract was renegotiated prior to 2010. A further new contract was set up in 2012. This failed to deliver a satisfactory service for two years. The contract was subsequently terminated in September 2013.</p>   |          | <p><b>This action should be signed off.</b></p> <p>Continue to monitor and report on complaints and satisfaction to ensure that the contract is delivering the level of service required.</p> |

| THH AP ref                           | Beever and Struthers recommendation   | Review findings        | Evidence, ie, the basis for our findings   | Comments  | Recommendations                           |
|--------------------------------------|---|------------------------|--|---|---|
|                                      | <p>account</p> <p>c. The website invites comments from residents of horticultural standards which should be acted upon.</p>               |                        | <p>The work was brought in- house in 2014 with a client team to monitor performance.</p> <p>There have been teething problems with this arrangement but complaints have started to reduce. There were issues at the beginning of the season (March/April) due to the extremely wet and warm weather. The cutting season is being extended into October where necessary at no extra cost.</p> <p>KWEST undertake satisfaction surveys. There is a target of 80% of people contacted being satisfied (excellent, good, fair). Performance in August was 64% and in September 75%. The team won most improved team of the year in 2014.</p> |   |   |
| <b>Review VfM of repairs service</b> |   |                        |  |   |   |
| 2.1                                  | <p>1. The financial regulations need review and clarification.</p> <p>2. Schedule of rates should not be used for high value repairs.</p> | Partially implemented. | <p>The financial regulations have not been reviewed or clarified.</p> <p>Since the Beevers and Struthers report a new contract has been procured with Mears that addresses value for money. Comments and observations regarding value for money were invited from leaseholders during the Section 20 process.</p> <p>THH have stated that schedule of rates are not used for high value work.</p>  | In terms of value for money it should be noted that THH have a repairs budget to work to for the rented stock. They therefore have a similar interest to leaseholders in trying to drive costs down and ensuring that the repairs service achieves VfM. | Review and clarify financial regulations. |

| THH AP ref | Beever and Struthers recommendation  | Review findings        | Evidence, ie, the basis for our findings  | Comments   | Recommendations  |
|------------|--|------------------------|---|--|--|
| 2.2        | <p>TTH should review the regime on quotations and the control of quote information.</p> <p>In future the SOR contract should have discounts built into it for higher value repairs. If this is not the case we recommend independent quotations should be obtained for all repairs over £2,000</p>   | Implemented            | There is flexibility within the revised partnership with Mears to obtain alternative quotations for jobs over £2,000.   |  | This action should be signed off   |
| 2.3        | <p>1. The inspection regime should be increased for common part repairs, as they are not subject to tenant oversight. We suggest doubling the percentages of all inspection categories</p> <p>2. Post repair telephone surveys should always include leaseholders regarding common parts</p> <p>3. Estate inspections should always include a review of common part block and estate repairs carried out since the last inspection</p> <p>4. There should be an automatic inspection if a repair has apparently been repeated within the last four weeks</p> | Partially implemented. | <p>Since June 2012 a weekly report of completed jobs is produced on a block basis which contains communal and individual repairs. From this list 140 post inspections per week are carried out.</p> <p>The number of leaseholders included in surveys has been increased.</p> <p>Section C of the estate inspection form includes repairs to common parts.</p> <p>An inspection is not automatically triggered however when a new repair request comes in but the arrangements have been strengthened. The staff raising the repair look at the repairs history and will not raise a new job unless they are sure it is a new job, or it is the same job but a new repair due to vandalism. (eg, light fitting replaced on Monday and smashed by vandals on the Tuesday). If they are not sure, then they either do a recall or</p> | There is a facility for leaseholders to see what repairs are raised each month on the 'see my data' portal. This is now in line with good practice | <p>This action should be signed off</p> <p>PSG agrees that this should be signed off</p> |

| THH AP ref | Beever and Struthers recommendation   | Review findings        | Evidence, ie, the basis for our findings  | Comments | Recommendations  |
|------------|---|------------------------|---|----------|--|
|            |   |                        | arrange a pre-inspection.   |          |  |
| 2.4        | <p>1. No orders should be cancelled without a properly recorded explanation</p> <p>2. The number of cancelled orders should be reported regularly to the performance committee of THH and regularly reviewed by senior management</p> <p>1. The requirement for NHOs to authorise estate works should be reviewed</p> <p>2. Estate repairs that have not been authorised by NHOs within a week of the order should be reported to and reviewed by a manager</p> <p>3. Where an NHO does not authorise a repair this should be communicated to the person who reported the repair by the NHO</p> | Partially implemented. | <p>This has not been fully addressed. The system is currently unable to record the reason why the repair has been cancelled. There is a cost implication for making the modifications to the IT system. THH do not believe there is a sufficient cost benefit to this.</p> <p>There is a management process in place to monitor and report on this but it operates at a manager level and does not include a report to the performance committee (as THH consider this to be primarily an operational matter)</p> |          | <p>Carry out a cost benefit exercise for making the IT modifications. Share findings with leaseholders.</p> <p>Alternatively introduce a process that provides a clear audit trail that identifies why repair orders are cancelled.</p> <p>Establish reporting to higher level, eg, Performance Committee.</p> |
| 2.5        | The number of service requests not generated into an order should be reported regularly to the performance committee of THH and regularly reviewed by senior management   | Partially implemented. | <p>A weekly report including description of works, estimate, who created the job and when it was raised as well as other useful information is circulated to relevant staff so that they can look at the service requests that have not had an order to repair generated.</p> <p>This might be because it requires inspection before generating an appropriate order. Staff are required to either generate an order or cancel the service request. Otherwise the service</p>                                     |          | <p>Introduce a process that provides a clear audit trail that identifies why service requests do not generate an order.</p> <p>Establish reporting to higher level, eg, Performance Committee.</p>   |

| THH AP ref | Beever and Struthers recommendation  | Review findings        | Evidence, ie, the basis for our findings   | Comments   | Recommendations  |
|------------|--|------------------------|--|--|--|
|            |  |                        | <p>request might be sitting around with nothing happening, including keeping the resident informed of progress.</p> <p>There is a management process in place to monitor and report on this but it operates at a manager level and does not include a report to the performance committee (as THH consider this to be primarily an operational matter)</p>   |  |  |
| 2.6        | <p>1. THH should include with the annual service charge actuals a list of all block and estate repairs included within the service charge. In order to mitigate the costs of this leaseholders should be given a choice of receiving this by email and/or opting out</p> <p>2. Leaseholders should be able to request a quarterly list of chargeable repairs and a contact point for this request</p> <p>3. THH to provide quarterly reports on the website so that leaseholders can view and raise queries quickly rather than at the end of the year</p> <p>4. Where any of the repairs listed have been inspected the date of the inspection should be disclosed in the report.</p> | Partially implemented. | <p>1. 2011/12 This is now in place. It forms part of an inspection file that all leaseholders have access to.</p> <p>2. This has been met – quarterly reports are provided on the website.</p> <p>3. This has not been implemented. It has not been possible due to IT issues. These do not allow communal repairs to be viewed on line.</p> <p>4. Block and estate repairs can be provided on request through the key leaseholder's scheme in electronic or paper format.</p> | Based on HQN's experience THH are in line with best practice - as far as the technology allows so that they are still providing VFM in my view. This could otherwise require an entire post. Enfield who are much smaller stopped issuing a schedule as it is too time consuming | The IT (CMYDATA) is developed further to enable the schedule to be accessed via this portal for block/estate |

| THH AP ref         | Beever and Struthers recommendation   | Review findings  | Evidence, ie, the basis for our findings   | Comments   | Recommendations  |
|--------------------|---|------------------|--|--|--|
| <b>Major works</b> |   |                  |  |  |  |
| 3.1                | Audit Commission recommendation:<br>Improve property management in consultation with residents by:<br>providing leaseholders with long-term estimates for major works | Not Implemented. | <p>The Decent Homes programme can be accessed on line. This shows the works planned to the end of the next year, but this does not incorporate planned work outside of the Decent Homes programme, ie, cyclical work, re roofing, fire risk works, etc.</p> <p>Residents are able to in-put their post code to find out what is planned for their block.</p> <p>Further development of the IT functionality is taking place to establish a portal link via Keystone, for all investment planning.</p> <p>THH's focus is on engagement with residents on the Decent Homes programme. However this does not extend to major works. There is no communications strategy or major works strategy in place which incorporates communication over issues such as pre S20 and S20, timings etc. needs to include the whole programme.</p> | THH have agreed that this has not been implemented | <p>Adopt a wider approach that ensures leaseholders are notified of all works, even if the associated costs are not provided.</p> <p>This will ensure that leaseholders are at least put on notice that works are likely to happen. This should be undertaken on a rolling programme basis.</p> <p>A communication strategy should be established for major works, including the Decent Homes programme.</p> |
| <b>Insurance</b>   |   |                  |  |  |  |
| 4.1                | Leaseholders should be consulted as to excess to be applied in the building insurance as well as accidental damage  | Implemented.     | An extensive benchmarking exercise was carried out by Jardine Lloyd Thompson (JLT) and the findings presented to the PSG in March 2012.  |  | This action should be signed off   |

| THH AP ref | Beever and Struthers recommendation  | Review findings | Evidence, ie, the basis for our findings   | Comments | Recommendations                  |
|------------|--|-----------------|--|----------|----------------------------------|
|            |  |                 | <p>The benchmarking exercise considered the value of the premium where the excess was nil/£50/£100 and compared LBTH to two other London Boroughs, which demonstrated that there is variation depending on the size of the property and the excess. The exercise did not indicate that LBTH's costs are excessive.</p> <p>The insurance cover was retendered in October 2012. Consultation was carried out in the usual manner, under the S20 regulatory procedures. This provided a further opportunity for leaseholders to comment on the arrangements.</p>                  |          |                                  |
| 4.2        | <p>1. The insurance SLA represents a duplication of charges and should be removed from the management and administration costs</p> <p>2. LBTH/THH should justify to leaseholders the £10 administration charge</p> | Implemented.    | <p>The SLA covers all insurance matters between THH and LBTH not just property insurance.</p> <p>The £10 administration fee covers LBTH's costs in employing someone to deal with leaseholder building insurance issues.</p> <p>An exercise was carried out prior to September 2012 to assess officer time spent on leasehold issues. The council calculated that the amount that could be charged is £14.20 per leaseholder.</p> <p>A detailed breakdown showing how the £10 charge was calculated was circulated to leasehold panel working group (LPWG) in August 2012.</p> |          | This action should be signed off |



| THH AP ref             | Beever and Struthers recommendation   | Review findings       | Evidence, ie, the basis for our findings   | Comments  | Recommendations  |
|------------------------|---|-----------------------|--|---|--|
| 4.3                    | An independent insurance consultant to be engaged to provide leaseholders with assurance that insurance claims which ordinarily have been settled by tenants' insurers are not settled through the leaseholder policy | Partially implemented | A detailed claims audit report was carried out in October 2012 by JLT and submitted to the PSG. This report found that there was a high standard of claims handling, but did point out that the number of claims considered (5) was limited, and suggested that a further audit was carried out 'within 8-12 weeks'.   | It could be argued that JLT are not wholly independent of THH/Council.  | <b>This should be signed off despite JLT not being totally independent.</b><br><br>Carry out a periodic audit of a sample number of claims on a regular basis.   |
| <b>Service charges</b> |   |                       |  |   |  |
| 5a.3                   | CCL costs since the inception of the levy should be calculated and refunded to leaseholders (and recovered by THH)  | Implemented.          | Leaseholders were refunded in the 2010/11 accounts.<br><br>However leaseholders are concerned that the refunds have not been widely publicised and that not all CCL charges have been refunded.  | HQN does not believe that this problem is likely to arise again. We saw no evidence of any outstanding/missed refunds | <b>This action should be signed off</b><br><br>Credits should be clearly shown on future audited accounts.   |
| 5a.4                   | LBTH to invoice additional charges as they arise in the year and to submit an invoice for each charge   | Implemented.          | The SLA between the Council and THH allows for yearly or monthly charges. These are all raised monthly. The SLA covers costs such as telephone services, insurance, legal services.<br><br>Leaseholders have concerned about extra charges being added in without notice.<br><br>However there are very few/if any circumstances when an additional charge, that had not been anticipated and therefore included in estimates at the beginning of the year, would be raised. |   | <b>This action should be signed off</b><br><br>If additional costs are incurred during the year which are unforeseen, the Council should invoice THH but the re-charge to leaseholders should be included in the audited account for that year with a clear explanation in the accompanying documents as to what the charge is for |

| THH AP ref | Beever and Struthers recommendation   | Review findings        | Evidence, ie, the basis for our findings  | Comments   | Recommendations  |
|------------|---|------------------------|---|--|--|
| 5a.5       | The contract variation needs to be properly explained or the excess costs refunded to leaseholders                          | Implemented.           | Horticulture work does not meet the criteria for 'qualifying works' under the Commonhold and leasehold reform act 2002. In any case the works were not more than £250 per leaseholder so there was no requirement for consultation.<br><br>The cost increase was as a result of additional estate improvement works prior to audit commission inspection in 2008. |  | <b>This action should be signed off.</b><br><br>Ensure there is a process in place which provides transparency and clarity if contracts are varied for any reason. |
| 5b.1       | The basis of apportioning service charges to leaseholders and tenants should be compatible                                  | Implemented.           | Having reviewed a tenant and leaseholder service charge statement for Lister House HQN is satisfied that charges are calculated and apportioned on the correct basis.   | It should be noted that the legislation is very specific about what tenants can be charged for and what is included in their rent.<br><br>THH are bound by this legislation. Furthermore it is in THH's interest to ensure tenants are charged the full amount possible in order to maximise income. | <b>This action should be signed off</b>  |
| 5b.2       | All service chargeable items should be charged to tenants. Where applicable these charges should be de-pooled from the rent | Partially implemented. | Caretaking, concierge, grounds maintenance, bin hire and bulk waste, boiler fuel have been de-pooled from rents and are charged in line with costs to leaseholders.<br><br>Communal electricity is charged in with the rent but could be depooled.  |  | Depool communal electricity charges from the rent.   |

| THH AP ref | Beever and Struthers recommendation   | Review findings        | Evidence, ie, the basis for our findings  | Comments   | Recommendations   |
|------------|---|------------------------|---|--|---|
| 5b.4       | <p>1. Staff members to confirm the level of time spent on leaseholder activities by producing timesheets authorised and reviewed by line managers</p> <p>2. Further training may be necessary to achieve this</p> | Not implemented        | THH have carried out an exercise to understand the percentage of time spent on leaseholder activities and have trialled timesheet exercises.  | Filling in time sheets on a regular daily or weekly basis is not considered to be effective use of time nor value for money. These exercises should be undertaken on a periodic basis, ie, for a week every quarter. | <p>Undertake a timesheet exercise periodically so that it does not impact on day to day activities.</p> <p>This will provide the necessary evidence, if a case is brought to the FTT, of THH's time input and associated costs.</p> |
| 5b.5       | A complete reassessment is required and an exercise is needed to calculate a cleaning charge per block based on a reasonable assessment of the actual time taken to clean   | Not implemented.       | No timesheet exercise has been undertaken to understand the total staff time involved in delivering services, calculating and collecting service charges.   |  | <p>Undertake a timesheet exercise periodically so that it does not impact on day to day activities.</p> <p>This will provide the necessary evidence, if a case is brought to the FTT, of THH's time input and associated costs.</p> |
| 5b.6       | <p>Leases to be scanned and maintained on a secure network for access by THH.</p> <p>Lease particulars to be reviewed to ensure the correct block definitions are being applied when recharging services.</p>     | Partially implemented. | <p>There are 'map sites' which staff have access to (leases do not define what an estate is). These actually cover a smaller area than might be otherwise defined as an estate so puts the leaseholder into a better position. Map sites are available for every single property and they are held on the website, seen by HQN. They show roads and boundaries.</p> <p>There are only two types of leases (based on the information which has been provided to HQN).</p> <p>Therefore there is no need to hold each individual lease –individual copies can be obtained from land registry when needed.</p> |  | <p><b>This action should be signed off.</b></p> <p>Map sites should be included in pre sale enquiry packs and welcome letters.</p>  |

| THH AP ref | Beever and Struthers recommendation   | Review findings | Evidence, ie, the basis for our findings   | Comments   | Recommendations                  |
|------------|---|-----------------|--|--|----------------------------------|
| 5b.9       | THH to continue efforts to ensure the freeholders are in accordance with the transfer agreements  | Implemented.    | Transfer agreements for freehold properties were reviewed between 2010 and 2012 and a database set up. In addition to this, and to avoid further sales taking place without sufficient consistency, the legal team is required to consult with THH for all sales.  |  | This action should be signed off |
| 5b.10      | THH to re-introduce block and estate accounting on the JDE system so as to increase efficiency and make budgetary control more effective  | Implemented.    | Now on SX3 system. Accounting is to block and estate level. Map sites have been set up.  | As SX3 can now account to block and estate level JDE is no longer relevant | This action should be signed off |
| 5b.11      | In accordance with the lease, any leaseholders on higher floors, or who benefit from an entry phone system or lift should not pay more than if all units were being charged for the service | Implemented.    | LBTH historically did not charge ground floor premises for lifts. However the cost was apportioned on the basis of all units and upper floor properties paying their correct charge only. THH has introduced charging for all units regardless of whether the occupant of a ground floor property uses the lift service or not.          |  | This action should be signed off |
| 5b.12      | LBTH/THH to review the block cleaning charged to leaseholders who do not access the block and implement a policy not to recharge these services   | Implemented.    | LBTH historically did not charge premises which had no access to common parts for the common parts. However the cost was apportioned on the basis of all units and upper floor properties paying their correct charge only. THH has introduced charging for all units regardless of whether the occupant of a property uses the service. |  | This action should be signed off |

| THH AP ref | Beever and Struthers recommendation  | Review findings              | Evidence, ie, the basis for our findings   | Comments | Recommendations  |
|------------|--|------------------------------|--|----------|--|
| 5b.14      | <p>All the standing data in the service charge module in SX3 needs to be reviewed. In particular boiler points and GRVs need to be corrected.</p> <p>The procedure needs to be communicated to other departments who are involved in changes to the standing data. The main department are repairs, eg, changes to boiler points (number of radiators)</p> | Implemented.                 | <p>All standing data was reviewed within SX3 in 2011. Schedules of all data are held in the inspection file and can be viewed by a leaseholder.</p> <p>The report following the review is available on the THH website.</p>  |          | This action should be signed off   |
| 5b.15      | LBTH to audit its records and ensure leases for all leaseholders are found or an appropriate copy obtained   | Technically not implemented. | <p>There are only two types of leases (based on the information which has been provided to HQN).</p> <p>There are 'map sites' which staff have access to (leases do not define what an estate is). These actually cover a smaller area than might be otherwise defined as an estate so puts the leaseholder into a better position. Map sites are available for every single property and they are held on the website and seen by HQN. The LSIG has signed off 170.</p> <p>Therefore there is no need to hold each individual leases –individual copies can be obtained from land registry when needed.</p> |          | <p>This action should be signed off</p> <p>Map sites should be included in pre sale enquiry packs and welcome letters.</p> |
| 5b.16      | <p>THH should review the charging of SLAs to leaseholders and for transparency make it simpler and easier to understand.</p> <p>Leaseholders should be given a credit for the excess of SLA charges made to them for 2008-9 and 2009-</p>  | Implemented.                 | <p>A full review was carried out in 2011 which identified undercharges for a number of services provided by the Council. These negated the overcharges.</p>  |          | This action should be signed off   |

| THH AP ref | Beever and Struthers recommendation  | Review findings | Evidence, ie, the basis for our findings   | Comments | Recommendations                             |
|------------|--|-----------------|--|----------|---|
|            | <p>10. That is the SLAs for:</p> <ul style="list-style-type: none"> <li>▪ Payroll and pensions</li> <li>▪ Customer access</li> <li>▪ IT</li> <li>▪ The two ASB SLAs</li> </ul> <p>In addition the homelessness SLA was wrongly recharged to leaseholders and should be refunded.</p>   |                 | <p>A leaflet 'Value for money for leaseholders and tenants' was produced in May 2014 and issued to residents.</p> <p>However THH recognises that office costs are high. An office move is being considered.</p>  |          |   |
| 5b.17      | <p>THH should investigate the feasibility and economics of identifying ASB costs (in particular caretaking and horticulture costs) with a view to quantifying these costs</p> <p>The fairness of recharging all ASB to leaseholders needs to be reviewed in conjunction with leaseholders</p>  | Not implemented | <p>HQN was advised that the Resident Scrutiny panel carried out a review of ASB in October 2012 addressing the issues raised by B&amp;S. We found no reference to the particular issues of costs and fairness of re-charging.</p>                                    |          | That the B&S recommendations be carried out |
| 5b.18      | <p>The basis of reducing the estate cleaning charge where estate maps have shops situated on the map site should be applied to the number of shops so the deduction is fair. For example applying the average GRV on the estate to each shop.</p> <p>Where estate maps have chops situated on the map site a reduction should be made for horticultural maintenance and estate maintenance</p> | Implemented.    | <p>THH considers this was reviewed and is happy that the costs that can be recovered from shops/commercial are recovered, and where costs can be re-charged they have been. THH is bound by the terms of the commercial lease, restricts what can be re-charged.</p> |          | This action should be signed off.           |

| THH AP ref | Beever and Struthers recommendation  | Review findings       | Evidence, ie, the basis for our findings  | Comments   | Recommendations                  |
|------------|--|-----------------------|---|--|----------------------------------|
| 5b.19      | <p>An independent energy consultant should be appointed by THH to investigate the correct charging of energy to community centres</p> <p>THH should take the community buildings into account when apportioning the estate charges</p>   | Partially implemented | <p>Whilst an independent electricity consultant was not appointed THH do take account of community buildings when apportioning charges.</p> <p>Community centres are included in the calculations. Community centres' electricity is billed separately whilst smaller resource rooms are included as part of the block charge. Estate services are not charged to the community centre.</p> |  | This action should be signed off |
| 5c.1       | <p>THH should review the method of calculation of the management and administration fee to reflect the level of services to each block</p> <p>In our report we recommend two methods for ensuring fees reflect the level of service to each block. We favour the fixed percentage of all block costs which would be closer to reflecting services at each block.</p> | Implemented           | <p>A review was carried out in response to the Beevers and Struthers audit in 2011. A change to the management fee was implemented during 11/12. Audited accounts are based on the outcome of this review.</p>  | <p>The format for the accounts which is favoured by LAPWG is confusing and in HQN's view fails to meet the accounting criteria required and included in the judgement of L B of Southwark v Woelke case, ie, that it should not be an expectation for the leaseholder to 'get his calculator out to do the maths.'</p> <p>In December 2014 an FTT determination found that the management costs are reasonable and that management charges have been allocated in a careful and sensible manner in respect of the years in question.</p> | This should be signed off.       |
| 5c.2       | THH should align its management and administration charges with other ALMOs with immediate effect until there has been a thorough  | As above              | As above  | As above   | As above                         |

| THH AP ref            | Beever and Struthers recommendation  | Review findings        | Evidence, ie, the basis for our findings   | Comments | Recommendations   |
|-----------------------|--|------------------------|--|----------|---|
|                       | review of the cost base and a determination to reduce these costs.   |                        |  |          |   |
| <b>Communications</b> |  |                        |  |          |   |
| 6.2                   | <p>THH should produce a service charge manual to document the policy and processes applied in charging service charges. Consultation is recommended with the leaseholders and the policy should be approved by the board and/or council cabinet.</p> <p>The policy should be clearly communicated to all staff dealing with leaseholders and advertise on the website.</p> <p>Leaseholder handbook to ensure all methodologies of charging for services are included as well as documenting what shouldn't be charged for.</p> | Partially implemented. | <p>HQN has seen evidence, (including staff explanation, guides for calculating actual) that staff are now aware about service charges and have received training as well as a very comprehensive manual (2012).</p> <p>The leasehold handbook is currently being worked on. It has been reviewed but it does not explain all the methodologies for charging for services or states what shouldn't be charged for</p> |          | Include within the welcome pack for new purchasers the leasehold handbook and the most recently published Leasehold Focus which describes the methodology for calculating service charges |
| 6.3                   | A comprehensive review be undertaken of the effectiveness of the handling of complaints  | Implemented.           | October's monthly performance report was provided. It is comprehensive with challenging targets and in HQN's view demonstrates that THH is taking complaints monitoring very seriously. The report includes a section on lessons learnt and indicates that there has been an increase in satisfaction with the   |          | This action should be signed off  |



| THH AP ref                    | Beever and Struthers recommendation   | Review findings | Evidence, ie, the basis for our findings   | Comments   | Recommendations   |
|-------------------------------|---|-----------------|--|--|---|
|                               |   |                 | <p>complaints process.</p> <p>THH is introducing a new software packing for dealing with complaints. HQN anticipates this will further assist with more efficient complaints handling.</p>   |  |   |
| 6.4                           | <p>Audit Commission recommendation to:</p> <p>Improve customer care and communications in consultation with residents by tailoring services better to meet residents' needs, particularly around communication.</p> | Not implemented | <p>An exercise was carried out to increase the profiling data held on leaseholders.</p> <p>In addition staff were provided with training manuals on how to update the Northgate system with the data</p> <p>However there is no current strategy for collecting information on an on-going basis nor making use of it.</p>   |  | Develop an on-going strategy for collecting profiling data and using it effectively. For example at re-sale and using it to shape services. |
| <b>Leaseholder engagement</b> |   |                 |  |  |   |
| 7.1                           | Improve leaseholder engagement  | Implemented     | <p>THH did review engagement and a further restructure took place.</p> <p>There is evidence to show that this has led to improvements. There are:</p> <ul style="list-style-type: none"> <li>▪ More people involved</li> <li>▪ A wider range of groups with leaseholders, eg, residents panel, leaseholder improvement group.</li> </ul> <p>In 2013 the Resident Panel Scrutiny Group produced a briefing on options for leaseholder engagement.</p> | <p>HQN believes the current structure and approach is as good as it can be although, in line with many other landlords, the groups are still not very representative</p> <p>However the PSG currently sits outside the structure and in order for it to be effective it needs to have a clear role within the engagement structure.</p> <p>The focus of engagement should be on getting all parties to work together effectively and this relies on making the</p> | See options and suggestions in section 4.   |

| THH AP ref | Beever and Struthers recommendation  | Review findings        | Evidence, ie, the basis for our findings  | Comments                         | Recommendations   |
|------------|--|------------------------|---|----------------------------------|---|
|            |  |                        |   | relationships work.              |   |
| 7.2        | THH to ensure a proportional representation of leaseholders are surveyed each month to ensure survey results are accurate  | Implemented            | In September 2010 the number of leaseholders included in surveys was increased from 50 to 83 a month and the number of tenants reduced from 200 to 167 per month. The current ratio of tenant/leaseholder is 60/40  | PSG agree this can be signed off | This action should be signed off  |
| 7.3        | Survey data to include leaseholders who have reported communal repairs   | Implemented.           | Leaseholders were not included in surveys of those reporting communal repairs, but this was changed overnight and leaseholders say that this is happening.  | PSG agree this can be signed off | This action should be signed off  |
| 7.4        | THH should thoroughly research how leaseholder views can be properly measured and change the consultation measures accordingly   | Implemented.           | THH has changed the methodology and increased the proportion of leaseholders' views requested.  |                                  | This action should be signed off  |
| 7.5        | We understand that it is the intention of THH to put neighbourhood action plans on the website and invite comments from residents. THH must ensure staff have the power to deal with matters and achieve the improvements implied. | Partially implemented. | Housing Officers are responsible for delivering the neighbourhood plans and for providing day to day housing management services to both tenants and leaseholders. Their duties include: tenancy matters, sign ups, estate inspections, repairs, neighbourhood action plans, community based issues, support function, TRA meetings, decants for redevelopment, low level ASB<br><br>Housing officers do not believe they treat leaseholders any differently to tenants and have as |                                  | Ensure residents play are actively engaged in developing and monitoring the action plans.<br><br>Ensure Housing Officers have the tools and information they require to deal with leasehold matters effectively and to achieve the improvements outlined in neighbourhood action plans.<br><br>Ensure the plans and progress made against them is reviewed and monitored via performance improvement plans and one to |

| THH AP ref | Beever and Struthers recommendation   | Review findings   | Evidence, ie, the basis for our findings   | Comments  | Recommendations   |
|------------|---|---|--|---|---|
|            |   |   | <p>much contact with them as they do with tenants.</p> <p>Housing officers did feel that they sometimes lack information about leaseholders, ie, they don't know which leaseholders live in their properties and who are absentee landlords</p> <p>Nor do they have access to systems whilst on site, eg, tablets/iPads with access to Northgate.</p> <p>Every block on every estate is inspected once on every month. Residents do not generally attend the entire estate inspection but come out for 'their bit'. Typically there will be about 25 - 30 issues raised on each estate inspection.</p> <p>Housing Officers carried out a timesheet exercise last year but this did not differentiate the time spent on tenant issues compared with leasehold issues.</p> |   | <p>ones.</p> <p>Ensure this is promoted and made available to residents.</p>  |
| 7.6        | <p>1. Estate inspections should include an inspection to each block</p> <p>2. Estate inspections should be carried out at a time which will maximise the number of residents available to attend</p> <p>3. Gradings from estate inspections should be agreed and signed by the residents attending to confirm accuracy</p> <p>4. Reports should be displayed on</p> | <p>1. Implemented</p> <p>2. Implemented</p> <p>3. Implemented</p> <p>4. Implemented but</p> | <p>THH has strengthened their approach to estate inspections since September 2010. Team leaders inspect blocks. Ratings are based on an average. Residents are given an opportunity to agree or not with the rating.</p> <p>Monthly estate inspections include blocks. HQN was provided with inspection reports as evidence of this. Estate inspection forms</p>   | <p>We understand that THH agree the ratings with residents attending the inspections. The number of residents who attend is low - this is a common problem experienced by many organisations and needs to be something which is encouraged on an on-going basis – continually exploring new and different ways of engaging effectively with residents</p> | <p><b>This should be signed off</b></p> <p>Leaseholders should be consulted on the appropriate mechanism for providing information on the outcome of estate inspections.</p> <p>Information should be widely promoted and easily available to residents.</p> <p>Residents should be encouraged to provide their</p> |

| THH AP ref     | Beever and Struthers recommendation   | Review findings       | Evidence, ie, the basis for our findings   | Comments | Recommendations   |
|----------------|---|-----------------------|--|----------|---|
|                | the website for leaseholders who did not attend to view and add their comments  | then discontinued     | <p>record - interior floors and walls clean and free from graffiti, stairs and railings clean, light diffusers/covers clean and bulbs working, bin chutes and surrounding areas clean and tidy, lifts clean, door furniture and intercom pad(s) clean, communal windows and window ledges clean</p> <p>Estate inspection reports are available on the website. The ratings are posted on the notice boards.</p> <p>Inspections out of office hours are at the request of residents. These are carried out on an ad-hoc basis and THH do not currently record the frequency.</p> <p>Ratings for 2010 to 2012 were available to view on the website but this was discontinued after THH reviewed the number of hits to that part of the website and the cost of providing the information in this format.</p> <p>It is understood that one inspection per year is carried out, out of hours.</p> |          | views and feedback.   |
| <b>Heating</b> |   |                       |  |          |   |
| 8.1            | <p>THH to ensure meters are read at least annually so that leaseholders are charged accurate costs</p> <p>THH to review electricity meters and ensure its records capture all meter numbers and what the meters are</p> | Partially implemented | Up to 2011/12 the meters were not being read. THH now has a contract where the meters are read once every 2 years. There is a programme for introducing SMART meters across the  |          | Provide evidence to PSG that all meter numbers and the properties they supply have been captured. |

| THH AP ref | Beever and Struthers recommendation  | Review findings | Evidence, ie, the basis for our findings   | Comments | Recommendations           |
|------------|--|-----------------|--|----------|---------------------------|
|            | supplying. Following this costs need to be apportioned correctly so that leaseholders are charged accurate costs.  |                 | <p>borough. 40% have been fitted so far but in doing so the contractor has identified some issues with the deterioration of the meter housing. Therefore the installation has been put on hold. The meter housing renewals are part of the Decent Homes programme. Bills are received monthly and used in the estimates. There has been a conscious decision to install SMART meters to the very involved leaseholder's blocks, there are about 20.</p> <p>Leaseholders have some concerns that THH do not fully understand which meters supply what.</p>  |          |                           |
| 8.2        | <p>The basis of charging boiler repairs should be reviewed</p> <ol style="list-style-type: none"> <li>1. Boiler repairs to individual dwellings should not be recharged to leaseholders</li> <li>2. THH to ensure boiler repairs to individual units are coded to the individual dwelling and not to the communal boiler</li> <li>3. Credits should be applied to leaseholders who have been recharged tenant repairs</li> <li>4. THH to review the apportioning of boiler servicing costs and ensure residents are not being penalised for other residents disconnecting from the communal boiler system</li> </ol> | Implemented.    | <ol style="list-style-type: none"> <li>1.2012 THH examined whether any individual repairs had been recharged to leaseholders .</li> <li>2.Any incorrectly coded repairs are picked up when calculating the actuals.</li> <li>3.No credits were issued as THH found that no leaseholders had been recharged</li> <li>4.THH have a strategy in place for decommissioning - where decommissioning had previously taken place, units are still included but not charged for purposes of apportioning.</li> <li>5.THH looked at whether any residents had been overcharged but found none so no credits have</li> </ol> |          | This should be signed off |

| THH AP ref | Beever and Struthers recommendation  | Review findings       | Evidence, ie, the basis for our findings  | Comments | Recommendations           |
|------------|--|-----------------------|---|----------|---------------------------|
|            | <p>5. A credit should be applied where it is found that residents have been overcharged</p> <p>The updating of boiler point information on SX3 is vital in producing a correct charge for boiler costs. Credits should be applied where this has led to incorrect charging</p> <p>LBTH/THH to consider the cost/benefits of decommissioning communal boiler systems and installing individual boilers where costs to individual residents are excessive</p>                |                       | <p>been given.</p> <p>Boiler repairs and servicing are now charged on GRV.</p>  |          |                           |
| 8.3        | <p>LBTH/THH need to improve the management of boiler and lighting systems (as opposed to capital improvements) This will include:</p> <p>a. Identifying clear responsibility within THH of who is responsible for energy management and communicating this to leaseholders</p> <p>b. Better and clearer management of boiler stop and start dates</p> <p>c. Better management of lighting controls</p> <p>d. More consultation with residents about energy consumption</p> | Partially implemented | <p>THH have introduced Keystone as an asset management tool. It is being developed to deal with asset management, servicing and planned maintenance. Data is being loaded from the existing Comino system. This will enable officers to see the number of boilers in a building, annual gas safety and renewal and look at energy ratings.</p> <p>There is currently a programme in place for dealing with risers and laterals, ie, renewing wiring.</p> <p>There is a borough wide lighting programme to move towards LED.</p> |          | Complete implementation   |
| 8.4        | THH to make it clear to leaseholders that communal boiler and communal electricity invoices are available for inspection   | Partially implemented | Boiler invoices and meter readings are available for leaseholders in the inspection file and on the website.  |          | This should be signed off |

| THH AP ref | Beever and Struthers recommendation         | Review findings | Evidence, ie, the basis for our findings  | Comments | Recommendations |
|------------|---|-----------------|---|----------|-----------------|
|            | Meter readings should be put on the website |                 | Electricity meter readings are not on the electronic file of bills that THH receives therefore they are not in the inspection file. As THH receives up to 50,000 bills and credit notes per year, they do not hold them on paper but they can download and print off the ones relevant to a particular property when asked to do so on an individual basis. Leaseholders are informed that this information is available with their bills |          |                 |

## 4 Findings – the relationship between LBTH, THH and PSG

As part of the review we undertook to explore the cause of the breakdown in the working relationship between THH and leaseholders and make recommendations on how to move things forward. During their interviews and meetings Emma and Jackie probed this. They also considered the involvement structures – the involvement opportunities that were offered to leaseholders and the remits of the different bodies as well as how these compared with best practice. They took into account leaseholder engagement and leaseholder satisfaction generally as well as the views of the PSG members.

We are aware that this is likely to be the most controversial part of the report and also, for us, the hardest to pin down and evidence. We have tried to be as candid as possible about our findings and our views and are happy to be challenged on them. We recognise, due to the subject matter and that we are dealing with people's perceptions of what has happened over a significant period of time, that it will be difficult to reach full consensus.

Our review – as detailed in section three – found that a great deal of progress has been made on the B&S recommendations although not all the recommendations are ready for sign off. Since the B&S report there have also been changes made to the engagement structure and we found evidence of improvements – more people involved, a wider range of opportunities offered to leaseholders, increased leaseholder satisfaction. It needs to be acknowledged that the current structures and opportunities for leaseholder involvement, along with the satisfaction levels which are being reported have improved and are typical of ALMOs and councils across the country. The recent FTT determination supported this.

However we found that there is still a great deal of mistrust from the PSG members of both THH and Tower Hamlets Council and that relationships had worsened rather than improved since the B&S report. Our impression is that PSG members are of the view that there is no separation between LBTH and THH and that neither parties can be relied on to deliver what they have agreed to do. This appears to stem from the mistrust which set in following the revision to the management costs in the accounts for 2011/12 and in particular the way this took place – without any notice to PSG members. It is important to note that THH, on the Council's behalf, has a fiduciary responsibility to recover all costs and maximise income. Therefore when they identified that they were not collecting what they could they did have to act. However this situation could have been better handled and communicated.

Many of the relationship issues relate to very fine detail which, given the passing of time and the time constraints that we were working to, were difficult for us to get to the bottom of. In our view more time spent on this would not really help to move matters on.

Progress and improvements have undoubtedly been made on the B&S report – however things could have been progressed quicker, they could have been approached and handled in a different manner and communicated better by both THH and LBTH. There also appear to have been tensions in the relationship between THH and LBTH and sometimes a lack of shared objectives. These would have had a detrimental impact on the relationship between all three parties.



We did not find any evidence that leaseholders are being excluded from involvement but the current remit of PSG appears unclear to us as does its relationship to other groups of involved residents and the decision making process. Regardless of what has taken place in the past the current arrangements must clarify these roles and responsibilities going forward as well as PSG's links to other groups and to decision making processes.

We believe that all parties have to bear responsibility for the breakdown in the relationship and play an active part in improving it – if it is to improve. LBTH has perhaps inadvertently inferred that PSG has a right to be consulted on all operational details, in reality the only right for consultation is as set out in the Landlord and Tenant Act 1985 since amended, and recognised widely as S20 Consultation, applying to 'tenants' paying a variable service charge (Tenants in this regard meaning leaseholders). This, together with the management agreement between THH and LBTH as well as individual leases are the "minimum standards" that all parties must sign up to.

There also needs to be a recognition, that it is difficult to achieve constructive engagement if there are on-going issues between individuals and the organisation(s). It is, for example, considered best practice in the sector to agree standards of behaviour and a code of conduct for residents who are formally involved. This usually includes a list of things which would preclude individuals from holding a position until such time as they are resolved, eg, a dispute or a complaint which has gone beyond a certain stage, outstanding debts which are not subject to a repayment plan. But this does not mean that these individuals should be excluded from all engagement activities as it is very useful to maintain links with them in order to better understand reasons behind some issues, eg, complaints, non-payment, etc.

In order to move things forward we have set down a number of options that we suggest you consider. These are all examples of things that have worked for other organisations in similar positions to yourselves:

- Dispute resolution by an external agency with the objective of agreeing ways to work together in the future. A number of organisations offer this service. CEDR for example is London-based and has relevant experience. See [www.cedr.com](http://www.cedr.com)
- Reviewing the current arrangements for engaging with leaseholders. Perhaps the PSG is no longer required and the current members' valuable knowledge and experience could be useful in helping to establish/develop other groups which would achieve a broader reach across the leaseholder population. Any new group will need clear terms of reference, expected outcomes and ways of demonstrating value for money
- Considering the options that are open to leaseholders – namely that leaseholders consider, and perhaps THH provides more signposting and/or promotion, of options open to leaseholders in exercising their rights, such as, enfranchisement and/or, right to manage. More information about this can be found on the Leasehold Advisory Service website. See [www.lease-advice.org](http://www.lease-advice.org).

## Appendix one – documents

- PSG minutes
- THH structure chart
- Beevers and Struthers Audit Report
- LBTH structure chart
- Leases
- STAR survey report
- Newsletters
- Service charge manual
- Repairs reports
- Sign-off sheets
- Terms of reference
- VfM leaflet
- Emails
- Rent and service charge statements
- Complaints report
- Documentation on freeholder project.

## ***Evidence***

- LBTH calculation of insurance admin costs
- Examples of service charge format
- Insurance claims audit report
- Comparison of leaseholder premium rates between three London Boroughs

## Appendix two – interviewees

- Melanie Vickers: Leasehold Improvement Manager
- Minesh Jani: Head of Insurance (LBTH)
- Steven Holmes: Contract Relationship Manager (repairs)
- Shabana Yousaf: Asset Manager
- Sarah Pace: Head of Business Development (investment planning)
- Andrew Crompton: Head of Finance
- Fokrul Hoque: Strategic Engagement Manager
- Ben Whiteside: Head of Leasehold Services
- Neighbourhood officers: Mark Eccleston, Shelley Chowdhury, Godfrey McCurdy
- Nick Spenceley, Head of Environmental Services (At Wyn Garrett centre)
- Fokrul Hoque, Strategic Engagement Manager
- John Bloxham
- Anthony Duggan
- Alison Charles
- Cllr Rabina Khan.

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